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No. ——

SUPREME COURT, U.S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1992

JEROME H. LEMELSON,
Petitioner,

v.

MATTEL, INC.,
Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

IRVING KAYTON
201 East Main Street
Suite L
Charlottesville, VA 22901

PAUL M. SMITH *
JOEL I. KLEIN
KLEIN, FARR, SMITH & TARANTO
2550 M Street, N.W.
Suite 350
Washington, D.C. 20037
(202) 775-0184

GERALD D. HOSIER
LAW OFFICES OF GERALD D. HOSIER, LTD.
100 S. Wacker Drive
Suite 224
Chicago, IL 60606

Counsel for Petitioner

* Counsel of Record

WILSON - EPES PRINTING CO., INC. - 789-0096 - WASHINGTON, D.C. 20001

QUESTION PRESENTED

Whether, in a case where a product includes every element stated in a patent claim, a judgment of infringement may be overturned on the ground that the plaintiff failed to show that the product also includes some other feature that is not disclosed in the patent claim but is inferred solely on the basis of the patent's "prosecution history."

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OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit is reported at 968 F.2d 1202 and reprinted in Pet. App. A. The pertinent rulings of the United States District Court for the Northern District of Illinois are unreported and reprinted in Pet. Apps. B, C & E.

JURISDICTION

The Court of Appeals entered judgment on June 30, 1992, and denied a timely petition for rehearing on August 11, 1992. A suggestion of rehearing *en banc* was denied on September 11, 1992. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1).

STATUTES AND RULES INVOLVED

35 U.S.C. § 282 provides, in pertinent part:

> Presumption of validity; defenses
>
> A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.
>
> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> (1) Noninfringement, absence of liability for infringement or unenforceability,
>
> (2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,
>
> (3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,
>
> (4) Any other fact or act made a defense by this title.
>
> * * * *

Rule 50(a)(1) of the Federal Rules of Civil Procedure provides:

> If during a trial by jury a party has been fully heard with respect to an issue and there is no legally sufficient evidentiary basis for a reasonable jury to have found for that party with respect to that issue, the court may grant a motion for judgment as a matter of law against that party on any claim, counterclaim, crossclaim, or third party claim that cannot under the controlling law be maintained without a favorable finding on that issue.

STATEMENT

Petitioner Jerome H. Lemelson seeks review of a decision of the U.S. Court of Appeals for the Federal Circuit reversing a judgment entered on the basis of a jury finding that respondent Mattel, Inc., infringed his patent.[1] The Federal Circuit ruled that petitioner's patent claim should have been construed as containing a limitation that is not reflected in its actual language but was inferred solely on the basis of one disputed aspect of the patent's "prosecution history." This ruling calls into question a fundamental principle of patent law, reflected in numerous prior decisions of this Court and the Federal Circuit—the principle that the rights of a patentee are defined by the express terms of a valid patent claim. The resulting confusion threatens to disrupt both the patent-issuance process and the trial of infringement claims all over the country.

1. *Factual Background.* This patent dispute arises out of respondent's manufacture and sale, since 1968, of "Hot Wheels"—a toy, consisting of a "flexible track upon which cars run," that is "one of the most commercially successful toys in history." Pet. App. 2a. In 1967, petitioner Lemelson, a prominent inventor, filed a patent application including a claim describing a toy track, with a base and side walls, that is "flexible" and "normally incapable of self-support" and that uses external "rigid support means . . . in a manner to predetermine" its shape. Pet. App. 3a. This patent claim was ultimately issued by the Patent and Trademark Office (PTO), as Claim 3 of petitioner's patent. In its final version, the claim contains seven separate clauses. The first five of these clauses had previously been submitted by petitioner as a separate claim, and had been rejected by the PTO examiner as anticipated by prior art—referred to below as the "Gardiol"

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[1] The parties in the Federal Circuit were petitioner and respondent. In the district court, there were three additional defendants with respect to unrelated claims: General Mills, Inc., General Mills Fun Group, Inc., and Marvin Glass & Associates.

patent. Petitioner then resubmitted Claim 3, which contained these same five clauses plus two additional clauses that further describe the side walls that guide the toy vehicle over the track.[2] This claim was approved by the PTO examiner.

As the evidence showed at trial, Hot Wheels is essentially identical in every respect to the toy described in petitioner's Claim 3. Its track has a flat base and side walls to guide the toy vehicle. And, significantly, respondent's track also is flexible and relies on external supports, thus allowing a child to shape it into a wide variety of possible configurations. It was this feature of Hot Wheels that constituted the main innovation of the product, leading to its enormous popularity. The prior art in this field used either rigid tracks or tracks with internal wires that could be bent into various shapes and would hold those shapes. One example of the internal-wire concept was the "Gardiol" patent, which was the basis of the initial PTO rejection of the first five clauses of Claim 3 and which became the central focus of the Federal Circuit's ruling in this case.[3]

2. *Proceedings Below.* Petitioner filed this suit in the U.S. District Court for the Northern District of Illinois in December 1977. In 1979, he voluntarily asked the PTO to "reissue" the patent (including "Claim 3"), *see* 35

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[2] The text of Claim 3 is set out in the opinion below at Pet. App. 4a. The first five (initially rejected) clauses of the claim include the description of a track that is "normally incapable of self-support" and relies on external "rigid support means" to establish its shape. *Id.* The final two clauses merely clarify that the track includes "spaced apart runner portions"—*i.e.*, "upwardly extending rails for guiding the wheels of a vehicle." *Id.* Both before and after the final version of the claim was submitted, the examiner acknowledged that the patented invention was reflected in drawings that portray a toy indistinguishable from Hot Wheels. Ct. App. JA at 2073, 2083, 2085-86.

[3] As petitioner demonstrated at trial, the problem with using internal wires was that a child would likely bend the track into a hopeless and irreversible tangle within a few minutes. Accordingly, no such toy product has ever been produced.

U.S.C. § 251, in order to allow reconsideration of its validity in light of prior art newly cited by respondent. In January 1983 the suit was formally stayed pending petitioner's appeal of the PTO's refusal to reissue the patent on grounds of "obviousness." *See* 35 U.S.C. § 103. That appeal culminated in a ruling by the U.S. District Court for the District of Columbia directing the PTO to reissue the patent. Pet. App. I (reported at 225 U.S.P.Q. 1063 (D.D.C. 1985)). The court reviewed the prior art and concluded that petitioner's patent—describing a "flexible track[] incapable of self-support for wheeled toy vehicles," *id.* at 51a—was not only different from prior art but nonobvious, *id.* at 53a. In so ruling, the court expressly distinguished the Gardiol patent, on the ground that it did not "include a suggestion to make a flexible track incapable of self-support." *Id.* at 53a-54a. It also relied in part on "the great commercial success of the Mattel, Inc., Hot Wheels flexible track," which the court expressly found to be "covered by the claims in plaintiff's Reissue Application." *Id.* at 51a.[4]

Petitioner's infringement claim against Mattel then proceeded to a jury trial in the Northern District of Illinois. At this trial, the findings made by the district court in the reissue proceeding were not disclosed to the jury, which considered both the validity of petitioner's patent and the question of infringement.[5] The jury, an-

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[4] As noted, the PTO Board of Appeals in the reissue proceedings had held that petitioner's invention was "obvious" (and therefore unpatentable) in light of the prior art. The Board of Appeals, however, acknowledged that the patent at issue "read on" Figure 9 in Lemelson's original filing, which is a drawing of a trackway essentially identical to Hot Wheels. Ct. App. JA 967-68. The same drawing demonstrates that petitioner's invention is essentially identical to Gardiol, except for its reliance on external supports.

After the district court directed that the patent be reissued, the Commissioner of the PTO filed an appeal to the Federal Circuit, but then withdrew it.

[5] An alleged infringer is not bound by a prior finding of validity made by the PTO or by a court on appeal from a PTO rejection. *See* 35 U.S.C. § 282.

swering special interrogatories, found (1) that Hot Wheels contained each and every element of petitioner's Claim 3, (2) that respondent engaged in willful infringement, (3) that the Gardiol patent did not disclose all elements of Claim 3, and (4) that the subject matter of Claim 3 was not obvious at the time the patent was issued. *Id.* at 8a.[6] The jury awarded damages totalling $24,780,000.

The district court then denied respondent's motion for directed verdict. It ruled that there was sufficient evidence for a jury to conclude that petitioner's patent was infringed by Hot Wheels, that the patent was not anticipated by Gardiol because it did not rely on internal support means, that it was plainly not obvious, and that petitioner was not barred by the doctrine of "prosecution history estoppel" from claiming that the patent covered Hot Wheels because that defense applies only where, unlike here, a patentee is seeking to expand the coverage of his claim beyond its literal terms under the doctrine of "equivalents." *Id.* at 18a, 21a-22a.[7] The court also denied Mattel's motion for judgment n.o.v., stating that "Hot Wheels was an embodiment of Lemelson's idea when it was introduced, and it was the first such embodiment that anybody in the marketplace had ever seen. The Hot Wheels *product* was new and, 'other than plaintiff's idea,' nothing had preceded it." *Id.* at 26a (quoting the court's prior ruling on the directed-verdict motion) (emphasis in original). In the same opinion, the court granted peti-

[6] The jury also found that the subject matter of Claim 3 was not on sale when the patent was issued, had not been described in a printed publication at that time, and was clearly and distinctly claimed in the patent. Pet. App. 8a.

[7] The court also held that there was no evidence that petitioner's invention was either on sale or previously published, that petitioner's claim was not barred by laches or estoppel, and that there was a sufficient basis for concluding that the invention was "clearly and distinctly" described in petitioner's patent. Pet. App. 19a-20a, 22a-24a.

tioner's request for prejudgment interest, thus increasing the total damages award to $71,256,690.

Respondent appealed to the Federal Circuit, arguing that the jury and district court erred in construing petitioner's patent as applicable to Hot Wheels in light of its prosecution history.[8] It did not appeal the jury's determination that the patent is valid in light of the prior art. The Federal Circuit reversed, in an opinion that relied entirely on the prosecution history for the proposition that Claim 3 had to be construed as if its final two clauses—and only those two clauses—disclosed some feature distinguishing prior art. The court held that petitioner's infringement action was nonmeritorious because he had failed to identify this additional feature and show its presence in Hot Wheels.

Thus, the court noted that in 1967 the PTO examiner had rejected the first five clauses of the claim as anticipated by Gardiol, even though they included language describing a trackway that (unlike Gardiol) is incapable of self-support and relies on external means of support. It also noted that the patent claim was allowed by the examiner when rewritten to include two additional clauses further describing the side walls of the track. In light of this sequence of events, the court concluded that petitioner, having "cancelled the five-clause claim in face of the Examiner's rejection, and submitted for allowance the claim with the additional clauses," Pet. App. 12a, was barred from claiming that the distinctive elements of his patented invention were described in the first five clauses, *id.* at 12a-13a ("Other players in the marketplace are entitled to rely on the record made in the Patent Office in determining the meaning and scope of the patent.").

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[8] Respondent also argued that petitioner's claim was barred by laches, that the patent was invalid on grounds of indefiniteness, that the district court erred in its jury instructions on infringement, that the award of interest should have taken into account taxes, and that a new trial should be granted. These arguments were not addressed below and are not pertinent here.

The court then reasoned that, to win his claim against respondent, petitioner was required to show that the two additional clauses added something that (1) distinguished the invention from Gardiol and (2) was also present in Hot Wheels. *Id.* at 13a-14a. Since petitioner at trial had relied on the absence of internal support (a feature of the invention described only in the first five clauses) as the distinctive element of the invention copied by respondent, the court held that he had failed to meet this burden—*i.e.*, he had failed to show that the final two clauses described an element of his invention different from Gardiol and present in Hot Wheels. *Id.* at 14a. The court thus concluded that "no reasonable jury could read reissue claim 3 both to be valid in view of Gardiol *and* infringed by Hot Wheels." *Id.* (emphasis in original).

REASONS FOR GRANTING THE WRIT

The Federal Circuit's ruling in this case merits review because it contravenes the fundamental principle that the scope of a patentee's "monopoly," in a case of alleged literal infringement, is defined by the language of the patent claim issued by the PTO. *See, e.g., Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 607 (1950) ("If accused matter falls clearly with the claim, infringement is made out and that is the end of it."). In this case, there can be no doubt that the jury and the district judge (along with the district court in the reissue proceeding) correctly viewed respondent's product as incorporating every element disclosed in the literal terms of petitioner's patent claim. Indeed, the Federal Circuit did not deny this. Instead, relying solely on the initial PTO rejection of the first five clauses of claim 3, the court ruled that the claim must be construed contrary to its plain language—as if it disclosed some additional distinguishing feature in its final two clauses—and that petitioner's infringement case was fatally flawed because he had failed to identify this additional feature and show that it was present in Hot Wheels.

In order to reach this conclusion, the Federal Circuit had to ignore not only basic principles long settled by this Court but also a recent decision of its own squarely holding that, in a literal infringement case, the outcome turns on a comparison of the accused product with the patent claim—and the prosecution history plays only the limited role of helping to define any disputed terms *in* the claim. *See Intervet America, Inc. v. Kee-Vet Lab., Inc.*, 887 F.2d 1050, 1053-54 (Fed. Cir. 1989). That case reflects the traditional understanding that a patent should be construed like a contract or a statute, based on the language that the PTO approved when it was originally issued. Here, by contrast, the Federal Circuit essentially concluded that the language of Claim 3 is less important than the ambiguous, and hotly disputed, events that accompanied its issuance in 1967. In so doing, moreover, the court did not even acknowledge the conflict with prior decisions, thus creating enormous confusion over the scope of the rights that will be recognized in future cases.

In its decision, the Federal Circuit apparently enunciated a rule of law—that petitioner was flatly barred from adopting an interpretation of his patent that is inconsistent with the interpretation he supposedly accepted when he acquiesced in the initial rejection of the first five clauses of Claim 3 and resubmitted the claim with two new clauses. Pet. App. 12a-13a. Yet the same court has previously held that this kind of "prosecution history estoppel" does not come into play when a product infringes the literal terms of a patent claim. *See Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 870 (Fed. Cir. 1985); *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565, 1571 (Fed. Cir. 1983). Moreover, the court's expressed concern about allowing others to "rely on the record made in the Patent Office in determining the meaning and scope of the patent," Pet. App. 13a, has the matter exactly backwards: participants in the marketplace need to be able to rely on the proposition that the scope of a patent claim is determined by what it says.

Now that the decision in this case has left the law totally unclear, such parties have no idea about *what* they can rely on.

To be sure, some language in the Federal Circuit's decision might be read to suggest that the court was only reviewing the reasonableness of the jury's factual findings concerning the events that took place in the prosecution history of the patent. If so, however, the court still went far astray. To begin with, as we have already noted, that history was only relevant to aid in the interpretation of terms in the claim—not as a potential basis for reading new and unstated limitations into the claim. In any event, to the extent that the prosecution history was relevant here, there was an ample basis for a jury to conclude the PTO examiner ultimately recognized his initial error in rejecting the first five clauses of the claim and thus never understood petitioner's amendments as adding any new limitation. The court did not even address all of the relevant evidence; instead, it considered only one fact—the initial rejection of the claim in its original form—and gave it controlling significance. Such a ruling cannot be squared with an appellate court's obligation, based on the Seventh Amendment, to accept any jury finding that is supported by substantial evidence.

Under either interpretation of the decision below, this case also warrants review for one more important reason. In many recent cases, the Federal Circuit has exhibited a willingness to strain to reach what it considers the "right" or "fair" result, even where this requires selective disregard of binding precedents or disregard of the limits of appellate review of factual findings. When the Federal Circuit was established ten years ago as the exclusive forum for patent appeals, the goal was to enhance the consistency and predictability of patent rulings, but many critics of the proposal expressed the concern that the court's "expert" judges would fail to be bound by the constraints set by prior cases and by the limits of appel-

late review. Unfortunately, as this case and others demonstrate, that prediction has proved prophetic. This Court thus has an obligation to restore the Federal Circuit to its proper, and limited, role in reviewing patent judgments.

I. THE DECISION OF THE FEDERAL CIRCUIT WAS INCONSISTENT BOTH WITH PRIOR PRECEDENTS AND WITH THE LIMITS ON APPELLATE REVIEW OF JURY VERDICTS.

This case should have been, especially as patent cases go, a very simple one. Petitioner obtained a patent that, on its face, (1) discloses features validly distinguishing the invention from prior art, and (2) describes respondent's product in every essential detail.[9] Indeed, the patent claim incorporated in express terms the key innovation that led to the success of Hot Wheels—the use of a flexible track that is formed into various shapes only with external supports. *See* note 2 *supra*. Thus, in the reissue proceedings, the district court relied on this innovation to distinguish the prior art, and noted that respondent had achieved enormous commercial success by marketing what the court saw as an identical product. Pet. App. 54a. These issues were then litigated again, independently, in this infringement action. The jury reached precisely the same conclusions, and the district judge who heard the evidence denied a motion for judgment n.o.v.

The Federal Circuit did not dispute these conclusions. Its reversal rested entirely on the notion that petitioner could not, in light of the prosecution history, rely on the plain language of the patent claim to establish infringement. The court in essence mandated treatment of the patent claim *as if* it contained some new limita-

[9] In patent infringement cases, the plaintiff must show that the accused product includes all elements of the patent claim and must also rebut any defense that the patent is invalid, *e.g.*, because the invention was obvious or anticipated by prior art. *See* 35 U.S.C. § 282.

tion that is not stated in the claim itself. It did so on the theory that the clearly distinctive feature of the new invention—a flexible track formed into shapes only by external supports—was legally irrelevant to support the *validity* of the patent. Since that feature had been disclosed in the original five clauses, which were initially rejected by the PTO examiner as anticipated by Gardiol, the claim, in the court's view, could only be valid if it disclosed some additional distinctive feature in the final two clauses, which were added later. The court then ruled that petitioner bore the burden of demonstrating such an additional distinctive feature described in the final two clauses (to establish validity of the patent) and of showing that it was also a feature of Hot Wheels (to establish infringement).

1. This line of reasoning is flatly inconsistent with the Federal Circuit's own prior rulings concerning the interpretation of patent claims. In these other cases, the Federal Circuit has properly rejected efforts to read limitations into patent claims based on extrinsic facts like the prosecution history. Thus, in *Intervet America, Inc. v. Kee-Vet Lab., Inc.*, *supra*, the prosecution history showed that the patentee's attorney, faced with an objection to his proposed patent based on prior art, had described the patent claims as containing a specific limitation but had failed to insert this limitation into all of the relevant claims. 887 F.2d at 1053-54. The Federal Circuit reversed a district court judgment of noninfringement, which had been based on an interpretation of the claims as containing this implicit limitation. Emphasizing the "impropriety of injecting into claims limitations from the prosecution history," *id.* at 1053, the court recognized a "presumption [that] the examiner did his duty and knew what claims he was allowing," *id.* at 1054. The court pointedly added that "[i]n any event, the claims as allowed are what we have to deal with and it is not for the courts to say that they contain limitations which are not in them." *Id.* *See also Atlantic Thermo-*

plastics Co. v. Faytex Corp., 1992 U.S. App. LEXIS 21828, *8 (Fed. Cir. September 15, 1992) (Rader, J., concurring in denial of rehearing *en banc*) ("ambiguous prosecution history cannot trump unambiguous claim language") (citing *Intervet*); *E.I. DuPont de Nemours & Co. v. Phillips Petroleum Co.*, 849 F.2d 1430, 1433 (Fed. Cir.), *cert. denied*, 488 U.S. 986 (1988) (" 'The claims of the patent provide the concise formal definition of the invention. . . . Courts can neither broaden nor narrow the claims to give the patentee something different than what he has set forth.' ") (quoting *Autogiro Co. of America v. United States*, 384 F.2d 391, 395-96 (Ct. Cl. 1967)).

These decisions are firmly anchored in the longstanding principle of patent law recognizing that patent claims are the "measure of the grant" of patent protection. *Universal Oil Prods. Co. v. Globe Oil & Refining Co.*, 322 U.S. 471, 484 (1944). As this Court has stated, in determining an infringement claim, "resort must be had in the first instance to the words of the claim. If accused matter falls clearly with the claim, infringement is made out and that is the end of it." *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. at 607. *See also Great Atlantic & Pacific Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 149 (1950) ("claims . . . define the boundaries of a patent monopoly"); *Smith v. Acme General Corp.*, 614 F.2d 1086, 1088 n.2 (6th Cir. 1980) ("It is basic patent law that claims of a patent define the invention and the 'metes and bounds' of the grant."); *MacLaren v. B-I-W Group Inc.*, 535 F.2d 1367, 1372 (2d Cir.), *cert. denied*, 429 U.S. 1001 (1976) ("It is a fundamental rule of patent law that the scope of protection granted by a patent is defined by the language of its claims . . . .").

In this sense, patent law parallels the law of contracts and statutory construction, where neither "parol evidence" nor legislative history can alter the clear meaning of the controlling document. The Federal Circuit, how-

ever, here followed an approach that closely resembles the oft-rejected principle that interpretation of a clear statute turns on its legislative history.

The court did so on the theory that petitioner had "acquiesced" in a limitation of his claim during the prosecution history. It failed, however, to cite any authority for this approach. This was not surprising since, while there is a recognized doctrine of "prosecution history estoppel," that doctrine simply does not apply in a literal infringement case like this one. Thus, in *Intervet*, *supra*, the Federal Circuit itself stated that there are "situations in which what an attorney says or does during prosecution may be held against a patentee on the theory of estoppel," but then referred only to a case where "a patentee attempts to *expand* the literal meaning of a claim under the patent law doctrine of equivalents and the prosecution history shows that the expanded scope would be inclusive of subject matter the attorney had represented to the examiner was *not* intended to be included in order to get the claim allowed." 887 F.2d at 1054 (emphasis in original).[10] The court then rejected the notion that estoppel can be used to narrow the express scope of patent claims in a literal infringement case. *Id.* *See also Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d at 870 ("Prosecution history estoppel applies as a limitation to the doctrine of equivalents *after* the claims have been properly interpreted and no literal infringement is found.") (emphasis in original); *Fromson v. Advance Offset Plate, Inc.*, 720 F.2d at 1571 ("If

[10] A claim under the equitable doctrine of "equivalents" differs from a literal infringement claim because the former doctrine allows a patentee to claim infringement by a product that is not literally covered by his patent but that "performs substantially the same overall function or work, in substantially the same way, to obtain substantially the same overall result as the claimed invention." *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 934 (Fed. Cir. 1987) (en banc), *cert. denied*, 485 U.S. 961, 485 U.S. 1009 (1988).

there be literal infringement, . . . the doctrine [of prosecution history estoppel] is irrelevant.").[11]

Moreover, even leaving aside the case law, there is no plausible justification for now extending the concept of prosecution history estoppel into the literal infringement context. The court's expressed concern that other manufacturer's are entitled to "rely on the record made in the Patent Office in determining the meaning and scope of the patent," Pet. App. 13a, makes no sense. After all, such reliance will only occur to the extent that the courts use that record to add limitations not stated in the claims. It makes far more sense to suggest that competitors should be able to rely on the plain terms of the patent that is issued, and act accordingly.

At the same time, such a new rule carries with it the risk of unduly disrupting the patent-issuance process. A proponent of a proposed patent like petitioner, faced with the apparent willingness of the examiner to issue a patent claim that fairly describes his invention, now cannot simply accept that patent—whenever a prior rejection might be interpreted as altering the literal scope of

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[11] The court's failure to follow these prior decisions was especially egregious here, for several additional reasons. First, in all cases, courts are required to apply a statutory presumption of validity to all patents, 35 U.S.C. § 282, and to construe claims, if possible, so as to render them valid, *Becton Dickinson & Co. v. C.R. Bard, Inc.*, 922 F.2d 792, 799 n.6 (Fed. Cir. 1990); *Carman Indus., Inc. v. Wahl*, 724 F.2d 932, 937 n.5 (Fed. Cir. 1983). Here, however, the court strained to reach an interpretation that, for all intents and purposes, means that the patent is invalid in light of prior art. It did so by disregarding the key language in the first five clauses distinguishing the prior art and forcing petitioner to rely solely on the language of clauses 6-7 to establish validity. This ruling is all the more remarkable in light of the fact that *respondent had not even appealed the relevant validity issue*. The Federal Circuit was thus constrained to treat the patent as valid, and simply consider whether it had been infringed. *See Becton Dickinson & Co. v. C.R. Bard, Inc.*, 922 F.2d at 800-01 (failure to raise validity issues on appeal constitutes a waiver). It chose to do precisely the opposite.

what the examiner was now accepting. Even though he has no objection to the revised claim, he will be forced instead to pursue a needless appeal to establish that the prior rejection was erroneous. In sum, the ultimate effects of the Federal Circuit's decision, if followed consistently, will be harmful to the patent system in general.

2. On its face, to be sure, the Federal Circuit's ruling did not openly change the traditional rule that the scope of a patent is determined by the language of the claim. Instead, the court pointed out that prosecution history may be considered in the *interpretation* of unclear language in a claim, Pet. App. 10a, and purported to review the substantiality of the evidence supporting the jury's implicit findings on this subsidiary factual issue, *id.* at 11a. But these features of the opinion do nothing to undermine its significance, or to reduce the confusion it will engender.

After all, the court did not in fact suggest that the prosecution history supported some other "interpretation" of the language of Claim 3. It held instead that this history *required* the conclusion (if the claim was to be treated as valid) that the last two clauses contain some additional limitation distinguishing the invention from Gardiol. It did so even though those clauses on their face do not contain such a limitation, and even though the relevant distinction—the reliance on external supports and the absence of internal supports—was disclosed in prior clauses. In other words, as we have shown, the court reached its conclusion by adding a limitation not present in the claim, based on estoppel reasoning, and not through any interpretation of actual claim language.

In so doing, the court disregarded its own prior rulings drawing precisely this distinction. Thus, in *Intervet*, *supra*, the court acknowledged that "claim construction" may "take[] into account . . . the prosecution history," but then emphasized that "courts cannot alter what the patentee has chosen to claim as his invention, . . . and

that interpreting what is *meant* by a word *in* a claim 'is not to be confused with adding an extraneous limitation' " not stated in the claim. 887 F.2d at 1053 (quoting *E.I. DuPont de Nemours & Co. v. Phillips Petroleum Co.*, 849 F.2d at 1433) (emphasis in original).[12] Here again, the analogy to using legislative history to construe an *ambiguous* statute (but not to alter a clear one) is apt.

In any event, even treating the court's decision as one involving review of factual findings relevant to claim "interpretation," it remains wholly indefensible. When prosecution history is considered in the interpretation of an unclear claim, it constitutes a subsidiary factual issue that the jury may determine. *See* Pet. App. 10a; *Perini America, Inc. v. Paper Converting Machine Co.*, 832 F.2d 581, 584 (Fed. Cir. 1987); *Palumbo v. Don-Joy Co.*, 762 F.2d 969, 976-77 (Fed. Cir. 1985). Jury findings on such an issue are reversible only if there is no evidence that reasonably supports them. *Tandon Corp. v. United States Int'l Trade Comm'n*, 831 F.2d 1017, 1021 (Fed. Cir. 1987); *see* Fed. R. Civ. P. 50(a)(1). Yet, here, the court gave no deference whatsoever to the jury's verdict, thereby rendering a decision that cannot be squared with petitioner's rights under the Seventh Amendment.

Thus, in this case, the significance of the prosecution history was in fact directly addressed by the parties at trial. Petitioner argued that his purported "acquiescence" in the initial rejection of the first five clauses as anticipated by Gardiol was rendered insignificant by later

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[12] *See also Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 862 (Fed. Cir. 1991), *cert. denied*, 112 S. Ct. 2957 (1992) ("There is a clear line of distinction between using the contents of the prosecution history to reach an understanding about disputed claim language . . . and the doctrine of prosecution history estoppel which 'estops' or limits later expansion of the protection accorded by the claim to the patent owner under the doctrine of equivalents when the claims have been purposefully amended or distinguished over relevant prior art to give up scope.") (citations omitted).

events in the prosecution history. In particular, he pointed out that since the two new clauses added prior to issuance did not, in fact, add any new features different from Gardiol, *see* note 2, *supra*, the examiner must have come to recognize that his initial rejection was a mistake. *Cf. Read Corp. v. Portec, Inc.*, 970 F.2d 816, 824-25 (Fed. Cir. 1992) (barring reliance on prosecution history estoppel in an equivalents case where a feature added in response to a rejection did not distinguish prior art and thus "could not have been the basis for allowance"). He also pointed out that the examiner acknowledged that the issued patent was illustrated by drawings indistinguishable from Hot Wheels, *see* note 2 *supra*—thus negating any suggestion that some limitation relevant to this case had been added in the final two clauses of Claim 3. The jury's verdict, in turn, constituted a clear rejection of the notion that the patent claim, as finally issued, contained implicit limitations inapplicable to Hot Wheels.

In light of the facts just summarized, there plainly was substantial evidence to support this determination. The court of appeals, however, having acknowledged that the jury was "adequately instructed to consider and decide the factual questions necessary to interpret the scope of the claims before deciding the issue of infringement," Pet. App. 11a, then proceeded to reinterpret the prosecution history entirely as it saw fit. In so doing, moreover, it did not even discuss the sequence of events in the prosecution history *after* the initial rejection of the patent claims. In sum, even assuming that the Federal Circuit was not dramatically changing the law on claim construction (contrary to the clear import of the opinion), the court at minimum ignored the constitutional limitations on its power to review a factual issue *de novo*.

II. THE FEDERAL CIRCUIT'S RULING WARRANTS REVIEW BECAUSE IT WILL CREATE UNTENABLE CONFUSION AND BECAUSE IT EXEMPLIFIES BASIC PROBLEMS WITH THE FEDERAL CIRCUIT'S APPROACH TO APPELLATE REVIEW.

As we have shown, the Federal Circuit's ruling not only was wrong as a matter of law but, if followed consistently, would work a fundamental and detrimental change in the patent system. The arguments for review by this Court, however, go still further. As the law now stands, participants in the patent system are faced with irreconcilable decisions from the Federal Circuit concerning whether the actual terms of a patent claim will be controlling in a literal infringement case. This issue affects in a most basic way the nature of the rights accorded by a patent. In light of its importance, this is not a matter that should be left unclear.

Moreover, this particular problem is hardly unique in the annals of Federal Circuit rulings in patent cases. That court has, on a number of occasions, exhibited a willingness to apply its own precedents "selectively," where they stand in the way of reaching what is perceived as a "correct" outcome. The court has also repeatedly stretched the limits of appellate review of factual issues to accomplish the same result. This pattern of decisionmaking, from the body entrusted with sole control over patent appeals, requires correction by this Court.

1. In the wake of the ruling below, the long-established principle that "claims . . . define the boundaries of a patent monopoly," *Great Atlantic & Pacific Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. at 149, has now been called into question. Yet, because the Federal Circuit did not openly acknowledge what it was doing and did not refer to contrary prior case law, the actual state of the law is now uncertain. In literal infringement cases now being litigated all over the country, the parties have no way of knowing whether, on appeal, the next panel

of the Federal Circuit will simply require proof of infringement of the elements stated in the claim or will in addition require proof of infringement of a limitation fabricated on the basis of prosecution history.

While the law on many issues is often unclear, this kind of uncertainty is simply intolerable. The issue raised here affects the fundamental nature of the rights accorded to patentees as well as the way in which infringement cases must be tried. Moreover, there is no reason to believe that, absent intervention by this Court, this uncertainty will be resolved any time soon. The next pertinent panel decision on infringement—whether it follows *Intervet*, *supra*, or the decision below—will not eliminate the conflict. That conflict will remain unless and until the Federal Circuit openly acknowledges the inconsistency and resolves it *en banc*. Yet, here, the panel acted as if the conflict did not exist, and the *en banc* court denied review.

2. We note as well that this case illustrates the more general need for Supreme Court consideration of the Federal Circuit's approach to appellate decisionmaking. When Congress chose in 1982 to centralize patent appeals in a single court, it did so in order to enhance the consistency and predictability of patent decisions. *See* S. Rep. No. 275, 97th Cong., 1st Sess. 5 (1981) (change will bring "desirable uniformity" to patent law, thereby reducing forum shopping and needless appeals); 17 C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure* § 4104, at 416 (2d ed. 1988) (goal was "to increase the doctrinal stability and consistency of patent law"). Yet the proposal was "not without its critics." S. Rep. No. 275, at 5. These critics focused on the concern that "'[j]udges of a specialized court, given their continued exposure to and great expertise in a single field of law, might impose their own views of policy even where the scope of review under the applicable law is supposed to be more limited.'" *Federal Courts Improve-*

ment Act of 1981: Hearings on S. 21 Before the Subcomm. on Courts of the Senate Comm. on the Judiciary, 97th Cong., 1st Sess. 77 (1981) (statement of Albert E. Jenner, Jr.) (quoting Commission on Revision of the Federal Court Appellate System, *Structure and Internal Procedures: Recommendations for Change*, 67 F.R.D. 195, 235 (1975)).[13] There was also concern that creation of exclusive jurisdiction over a category of cases " 'might reduce the incentive . . . to produce a thorough and persuasive opinion in articulation and support of a decision.' " *Ibid.* In sum, the fear was that a specialized court, far from enhancing predictability, would become a forum where outcomes depend less on consistent application of legal standards than on the judges' "expert" intuitive judgments about the "right" answer in each individual case.

There is substantial reason to conclude that this fear has now become a reality. In numerous recent cases, the Federal Circuit has selectively departed from its own prior decisions, without overruling them. *See, e.g., Malta v. Schulmerich Carillons, Inc.*, 959 F.2d 923, 923 (Fed. Cir.) (Newman, J., disenting from denial of rehearing *en banc*), *cert. denied*, 112 S. Ct. 2942 (1992) (stating that "the standard of review of jury verdicts in this court, as well as the interpretation of the doctrine of equivalents, will continue to depend on the selection of the panel," and adding that the court had "falter[ed] in its obligation to adopt a consistent position on which the public can rely"); *Newell Co. v. Kenney Mfg. Co.*, 864

[13] *See also Federal Courts Improvement Act of 1979: Addendum to Hearings Before the Subcomm. on Improvements in Judicial Machinery of the Senate Comm. on the Judiciary*, 96th Cong., 1st Sess. 58 (1979) (statement of Donald R. Dunner) (describing but rejecting the contention that the "[p]resumed expertise of [a] single court of appeals would encourage attempts to retry cases at the appellate level and encourage the court to substitute its judgment for that of the trial court, thereby changing the standards and level of review").

F.2d 757, 770 (Fed. Cir. 1988) (Newman, J., dissenting), *cert. denied*, 493 U.S. 814 (1989) (arguing that the panel's new standards for review of jury obviousness determinations conflicted with dozens of prior precedents) ("This new and confusing conflict with our own precedent, of constitutional dimension, can not reassure the bar, or litigants, or trial judges."). Indeed, in *Atlantic Thermoplastics Co. v. Faytex Corp.*, 970 F.2d 834, 837 (Fed. Cir. 1992), a panel of the Federal Circuit *expressly* refused to follow a prior panel decision. Four judges then dissented from denial of rehearing *en banc*. *Id.*, 1992 U.S. App. LEXIS 19151 (August 14, 1992). One such dissenter, Judge Rich, criticized the panel's "defiant disregard . . . of its rule that no precedent can be disregarded or overruled save by an in banc court." *Id.* at *4 (Rich, J., dissenting). *See also id.* at *5 ("This is not only insulting to the [prior] panel . . . , it is mutiny. It is heresy. It is illegal."). The result is a series of inconsistent decisions that leave litigants little basis for predicting which law will apply to *their* case.

The problems are equally pronounced in the Federal Circuit's application of standards for review of facts found by juries. In such cases, the court sometimes emphasizes the appropriate level of deference, while in other cases, including this one, undertaking its own analysis of the facts on the theory that the ultimate issue (such as patent validity or patent claim construction) is a quesion of law. *See Senmed, Inc. v. Richard-Allan Med. Indus.*, 888 F.2d 815, 821 (Fed. Cir. 1989) (Newman, J., dissenting) ("This appeal is from a jury verdict of infringement, yet it is difficult to find in the majority opinion any deference to the jury, or application of the standard by which jury verdicts are reviewed on appeal."); *Malta v. Schulmerich Carillons, Inc.*, 952 F.2d 1320, 1345 (Fed. Cir. 1991) (Newman, J., dissenting), *cert. denied*, 112 S. Ct. 2942 (1992) ("This court, by retroactively imposing new requirements for proving infringement then re-finding the facts under the guise of determining whether these new requirements were com-

plied with has denied this litigant's historic right [to a jury trial]."); *Newell Co. v. Kenney Mfg. Co.*, 864 F.2d at 773 (Newman, J., dissenting) ("[T]he panel majority does not mention the jury instructions, or whether a reasonable jury could have reached the verdict of unobviousness it here reached, or whether there was substantial evidence before the jury to support its verdict of unobviousness. . . . The panel majority . . . has analyzed the prior art afresh, found the differences from the patented invention, used the district court's finding of the level of ordinary skill, and stated that it gives no weight to the evidence of long-felt need and commercial success; *all entirely independent of the jury.*") (emphasis added).

This Court has, on one occasion, summarily vacated a patent ruling by the Federal Circuit because of apparent disregard for the "clearly erroneous" standard for review of factual findings by district judges. *See Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809 (1986) (per curiam). As this case illustrates, however, there remains a need for further guidance from this Court concerning the importance of applying consistent legal principles to all patent cases as well as the importance of according sufficient deference to finders of fact, including juries. Until the Court provides such guidance, the concerns that led many to oppose the creation of a centralized forum for patent appeals will continue to appear prophetic.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

IRVING KAYTON
201 East Main Street
Suite L
Charlottesville, VA 22901

PAUL M. SMITH *
JOEL I. KLEIN
KLEIN, FARR, SMITH & TARANTO
2550 M Street, N.W.
Suite 350
Washington, D.C. 20037
(202) 775-0184

GERALD D. HOSIER
LAW OFFICES OF GERALD D. HOSIER, LTD.
100 S. Wacker Drive
Suite 224
Chicago, IL 60606
Counsel for Petitioner

November 9, 1992

* Counsel of Record

APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

90-1359

JEROME H. LEMELSON,
Plaintiff-Appellee,

v.

GENERAL MILLS, INC.,
GENERAL MILLS FUN GROUP, INC.,
MARVIN GLASS & ASSOCIATES,
Defendants,

and

MATTEL, INC.,
Defendant-Appellant.

DECIDED: June 30, 1992

Before RICH, NEWMAN, AND PLAGER, *Circuit Judges.*

PLAGER, *Circuit Judge.*

This is a patent infringement suit by Jerome H. Lemelson alleging infringement by Mattel's 'Hot Wheels' toy. Over $70,000,000 in damages and interest was awarded Mr. Lemelson (Lemelson). Defendant Mattel, Inc. (Mattel) appeals from the judgment entered, after a jury trial, by the United States District Court for the

Northern District of Illinois, Eastern Division, dated May 8, 1990.[1] The District Court, pursuant to jury verdict, adjudged Mattel to have infringed claim 3 of Lemelson's reissue patent, Re. 32,106, and awarded jury-determined damages plus interest. The District Court denied Mattel's motion for judgment notwithstanding the verdict or for a new trial, and rendered judgment for Lemelson.

I. BACKGROUND

A.

The claimed invention involved in this case relates to a flexible track upon which toy cars run. Mattel's 'Hot Wheels,' the first major commercialization of such a toy, became one of the most commercially successful toys in history.

Lemelson's original patent application for a "Toy Track" was filed in the U.S. Patent and Trademark Office (PTO) on May 14, 1967, with one independent claim and eight dependent claims. That original independent claim, reproduced below, consisted of what would later become the first five of the seven clauses in claim 3 of the reissue patent[2]:

> A trackway toy comprising in combination with a toy vehicle having plural wheels,
>
> (a) a trackway including a base having an upper surface along which said vehicle may travel,
>
> (b) guide means for defining a path of travel for said vehicle on said upper surface,
>
> (c) said guide means including at least one formation molded integral with said upper surface of said trackway and providing plural parallelly extending

[1] No. 77-C-4558.

[2] *See* claim 3 *infra* p. 4.

surfaces against which respective wheels of said vehicle may ride to define said path in travel therealong,

(d) said base and said guide means being integrally molded of flexible plastic material and having the characteristic such that said base is normally incapable of self-support whereby said trackway will easily conform to non-planar surfaces and

(e) rigid support means for said trackway disposed adjacent said base and engaging a surface thereof in a manner to predetermine the shape of the base.

During prosecution of the 1967 application, Lemelson's counsel cited to the PTO several patents found in a prior art search, including the Gardiol patent, U.S. Patent No. 2,862,333. Lemelson's counsel described Gardiol as a track construction which includes internal wires to maintain its desired shape, while Lemelson's application was said to be directed to a flexible plastic track which was "normally incapable of self-support so that the trackway could be made to readily conform to non-planar surfaces."

The Examiner rejected independent claim 1 and three of its dependent claims as being anticipated by Gardiol. The remaining five dependent claims, which added further limitations, were allowed subject to being written in independent form. Subsequent to a personal interview with the Examiner, Lemelson's counsel filed an amendment which re-wrote the allowed claims in independent form, and cancelled the rejected claims.

The application was later allowed, and issued as U.S. Patent No. 3,451,161 (the '161 patent) on June 24, 1969. The patent, "Toy Track and Vehicle Therefor," is directed to a "toy guideway or track and vehicle for riding

thereover." Claim 3 of the '161 patent, as rewritten, which is the same as claim 3 of the reissue patent [3], reads:

> 3. A trackway [toy] comprising in combination with a toy vehicle having plural wheels,
>
> [a] a trackway including a base having an upper surface along which said vehicle may travel,
>
> [b] guide means for defining a path of travel for said vehicle on said upper surface,
>
> [c] said guide means including at least one formation molded integrally with said upper surface of said trackway and providing plural parallel extending surfaces against which respective wheels of said vehicle may ride to define said path of travel therealong,
>
> [d] said base and said guide means being integrally molded of flexible plastic material and having the characteristic such that said base is normally incapable of self-support whereby said trackway will easily conform to non-planar surfaces and
>
> [e] rigid support means for said trackway disposed adjacent said base and engaging a surface thereof in a manner to predetermine the shape of the base,
>
> [f] said guide means include a pair of spaced apart runner portions for defining the pathway of a vehicle moving over said track,
>
> [g] said spaced apart runner portions include upwardly extending rails for guiding the wheels of a vehicle.

---

[3] In the reissue claim 3, the preamble reads "A trackway comprising" rather than "A trackway toy comprising". The deletion of "toy" appears from the record of the proceedings before the PTO to have been an inadvertent error when the patent was printed rather than an amendment to the claim.

(The bracketed lettering before each clause has been added for convenience in referencing.)

A comparison of original cancelled claim 1 and what is now reissue claim 3 shows that the first five clauses—[a] through [e]—of original cancelled claim 1 are identical to the first five clauses of reissue claim 3. As we shall discuss, it was the addition of the final two clauses —[f] and [g]—that overcame the problem of anticipation by Gardiol, and upon the meaning of which this case turns.

B.

Returning to the sequence of events, by 1967 Mattel started independent development of a track and car product for entry into the market for small metal cars, such as the popular 'Matchbox' cars. During the preliminary stages of development of the Hot Wheels cars and track system, Max E. Shirk, Mattel's outside counsel, had a prior art search done, covering a number of the track's features. The search was directed to novelty and state-of-the-art.

In a letter dated October 6, 1967, Shirk reported that twenty-six prior art patents were found, including Gardiol. (Lemelson's patent had not yet issued, and was therefore not found in this search.) Gardiol was described as disclosing a "deformable toy track" made from a "flexible plastic material" which was "capable of undergoing a three-dimensional deformation." Shirk concluded that, in light of the prior art, only "a few relatively small features [of the Mattel track and its accessory items] may be patentable." Two of these features stemmed directly from the track: 1) the 'dishing' of the juncture of the upstanding side walls with the upper surface of the track in order to minimize contact of the car wheels with the side walls, and 2) the use of continuous, parallel channels on the lower surface of the track for use in connecting consecutive track sections. Mattel subsequently obtained a number of patents covering various

specific technical features of the Hot Wheels system, but did not apply for a patent covering the track itself.

Mattel introduced the Hot Wheels cars and track system at the February 1968 toy fair. The Hot Wheels products were a hit, and, as noted, became one of the most popular and commercially successful toys in United States history.

Lemelson conceded that he knew about Hot Wheels at least by late 1968—the year before his patent issued. His first contact with Mattel regarding a license under the '161 patent was in September of 1970, more than a year after the patent issued. Despite Lemelson's repeated efforts over a period of time, Mattel steadfastly denied any interest in such a license. At one point Lemelson told Mattel that he was considering legal action for patent infringement. He also told Mattel that he was "extremely busy" in other patent litigations and in his business activities "relating to patent licensing" but that he would "eventually" get around to suing Mattel.

Lemelson testified that he subsequently began to "look around for what would be . . . a good attorney to handle a litigation against Mattel." He eventually contacted an attorney, Carl Pearson, after reading about him in the New York Times. It was not until late 1977 that Lemelson and Pearson came to an agreement, and the litigation was ready.

Lemelson filed suit in the Northern District of Illinois in December, 1977, claiming that Mattel's Hot Wheels toys infringed the '161 patent. Lemelson filed his reissue application on December 16, 1980, in light of prior art cited by Mattel in the course of the litigation. In January, 1983, Mattel consented to a stay of the litigation pending disposition of the reissue. Mattel participated in the reissue proceedings to the fullest extent permitted by the PTO rules. The Examiner and later the PTO Board of Appeals ultimately denied the reissue application, despite amendments which changed several of

the claims and added others, on the grounds that the claimed inventions would have been obvious in view of various combinations of prior art, including Gardiol.

C.

Lemelson then brought an action in the District Court for the District of Columbia under 35 U.S.C. § 145, challenging the PTO decision. That court concluded that the invention of the rejected claims would not have been obvious, and held that the reissue application should be granted. *Lemelson v. Mossinghoff*, 225 USPQ 1063 (D.D.C. 1985). The District Court relied in part on evidence of the "commercial success of the highly flexible Hot Wheels trackway toy vehicle combination covered by [Lemelson's] Reissue Application." *Lemelson*, 225 USPQ at 1067. The PTO Commissioner filed but then abandoned an appeal to this court, and the reissue patent issued April 8, 1986. Throughout the reissue proceedings, claim 3 remained unchanged.

D.

The infringement suit in the Northern District of Illinois was reactivated and went to trial in October, 1989. Pursuant to Mattel's motion *in limine* which was granted by the District Court, the jury was apprised only of conclusory facts regarding the outcome of the reissue proceedings—the details were not disclosed due to the potential for excessive prejudice against Mattel, who was not a party to the reissue suit, outweighing the relevance of the proceedings.

At the close of Lemelson's case, Mattel filed a motion for directed verdict on the grounds that: 1) the prosecution history prevented a claim scope construction which could support Lemelson's assertion of infringement; 2) Lemelson failed, as a matter of law, to prove infringement; 3) the patent was invalid as anticipated under 35 U.S.C. § 102(b); and 4) the doctrines of laches and estoppel barred Lemelson's suit against Mattel. At the

close of all evidence, Mattel filed another motion for directed verdict which renewed the earlier motion and added grounds further asserting invalidity due to: 5) anticipation of the claimed invention by Gardiol; 6) obviousness of the claimed invention in view of the prior art; and 7) failure to comply with 35 U.S.C. § 112, demonstrated by a lack of having distinctly claimed the subject matter which Lemelson regarded as his invention. The District Court delayed deciding these motions until after the trial concluded.

The jury answered the following interrogatories posed by the trial court:

> 1) Does defendant Mattel's trackway system contain each and every element of Claim 3 of plaintiff Lemelson's patent? [yes];
>
> 1a) Is each element of Claim 3 or its substantial equivalent found in Mattel's trackway system? [yes];
>
> 2) Did defendant willfully infringe Claim 3 of plaintiff's patent? [yes];
>
> 3) Does the Italian Gardiol patent No. 511980 disclose all of the elements of Claim 3 of plaintiff's patent? [no];
>
> 4) Would the subject matter of Claim 3 of plaintiff's patent have been obvious in May 1967 to a person having ordinary skill in the art of toy track and car manufacture? [no];
>
> 5) Was the subject matter of Claim 3 of plaintiff's patent on sale prior to May 4, 1966? [no];
>
> 6) Was the subject matter of Claim 3 of plaintiff's patent described in a printed publication prior to May 4, 1966? [no];
>
> 7) Was the subject matter of Claim 3 clearly and distinctly claimed by plaintiff? [yes].

The same jury, in the second part of the bifurcated proceedings, awarded damages of $24,780,000.

The District Court then denied Mattel's motions for directed verdict and judgment notwithstanding the verdict or for a new trial, and entered judgment for Lemelson. The District Court also granted Lemelson's motion for prejudgment interest, using the prime rate compounded quarterly and without accounting for any tax-effects, to add $46,476,690 in interest for a total award of $71,256,690. The District Court denied Lemelson's motion for increased damages or attorney fees.

Mattel, in appealing to this court, raises the following issues for review: 1) the court's construction of, and instructions to the jury regarding, the scope of Lemelson's claim in light of the prosecution history generally and in light of the Gardiol patent, specifically; 2) the laches defense; 3) invalidity of the patent claim for indefiniteness under 35 U.S.C. § 112 (1988), as a matter of law; and 4) calculation of prejudgment interest at the prime rate, compounded quarterly, without regard for tax effects. We need address only the first of these issues in order to decide this appeal.

II. DISCUSSION

A.

It is elementary in patent law that, in determining whether a patent is valid and, if valid, infringed, the first step is to determine the meaning and scope of each claim in suit.[4] While there may be underlying fact questions involved, the ultimate conclusion about the meaning and scope of a claim is, like contract interpretation, a question of law. Once the claims are properly understood,

[4] Just as elementary, the same interpretation of a claim must be applied to all validity and infringement issues in the case. *See, e.g., W.L. Gore & Associates, Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1279, 6 USPQ2d 1277, 1280-81 (Fed. Cir. 1988).

a determination can be made whether a particular claim 'reads on' the accused structure or process.

In determining the meaning of a claim, it is necessary to examine closely the language of the claim, the specification, and the prosecution history. *See, e.g., Fromson v. Advance Offset Plate, Inc.*, 720 F.2d 1565, 1569-71, 219 USPQ 1137, 1140-42 (Fed. Cir. 1983). This is particularly true if, as is often the case, a dispute exists as to how language of the claim should be interpreted and the claim as a whole construed. The prosecution history gives insight into what the applicant originally claimed as the invention, and often what the applicant gave up in order to meet the Examiner's objections. Prosecution history is especially important when the invention involves a crowded art field, or when there is particular prior art that the applicant is trying to distinguish.

Thus the determination of the scope of the claim—its interpretation and proper construction—while denominated a question of law is in many cases based on the facts regarding the patent's history. When these matters are placed before a trial judge for decision—a trier of fact who is also a law-giver—the sequence of decision-making is easy to maintain. But when a question of infringement is given to a jury, there is a special burden placed on the trial judge—as well as the parties—to ensure that the second step in the process, that of comparing the claims to the accused product or process, does not cause the first step, interpreting the claims properly, to get short shrift. The underlying factual issues in dispute become the jury's province to resolve in the course of rendering its verdict on infringement. *See, e.g., Tol-O-Matic, Inc. v. Proma Produkt-Und Marketing Gesellschaft m.b.H.*, 945 F.2d 1546, 1549-50, 20 USPQ2d 1332, 1335-36 (Fed. Cir. 1991). If challenged, the jury's determination is reviewed according to the generally established rules for review of jury verdicts, first by the trial court on motion for JNOV, and by then this court on appeal.

B.

The standard of review for this court when reviewing a trial judges's denial of a motion for JNOV requires us to decide for ourselves whether reasonable jurors viewing the evidence as a whole could have found the facts needed to support the verdict in light of the applicable law. If we conclude that no reasonable findings of fact, supported by substantial evidence, could support the verdict that was incorporated into the trial court's judgment, then we must conclude that the trial court erred in not granting the motion for JNOV. *Railroad Dynamics, Inc. v. A. Stucki Co.*, 727 F.2d 1506, 1512, 220 USPQ 929, 935-36 (Fed. Cir.), *cert. denied*, 469 U.S. 871 (1984); *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1547-48, 220 USPQ 193, 198 (Fed. Cir. 1983). *See generally*, 5A Moore's Federal Practice ¶ 50.15 (2d ed. 1991 & Supp. 1991-92).

In the present case, the jury was adequately instructed to consider and decide the factual questions necessary to interpret the scope of the claims before deciding the issue of infringement. The instructions included a specific direction to consider the prosecution history of the patent, and to "exclude any interpretation that may have been disclaimed or given up during prosecution, in order to obtain the allowance of the claim." Finding no problem with the jury instructions, we are left to consider whether substantial evidence, in light of the applicable law, supports the jury's verdict.

C.

The first five clauses in claim 3, *see supra* p. 4, comprised a separate claim which had been rejected by the Examiner as anticipated by Gardiol, *see supra* pp. 2-3. Lemelson abandoned that 5-clause claim, and accepted the issuance of a claim comprised of the 5-clause claim supplemented with two additional clauses. It was that supplemented claim that issued (and later reissued) as claim 3.

1. The Prosecution History and the Prior Art

Gardiol discloses a sectional toy track, having longitudinal cores within sidewalls to allow sequential engagement, on which a toy vehicle can freely move. Gardiol's specification describes the track as being readily shaped and set in any desired form (as allowed by the cores), with the lateral movement of a toy vehicle riding along the track being limited by the upwardly extended sidewalls.

The PTO at different times concluded that Lemelson's claim 3 (the original cancelled claim with the added two clauses) *was* patentably distinguishable from the prior art (the original examiner), and *was not* patentably distinguishable and was therefore invalid for obviousness (the reissue examiner, affirmed by the PTO Board). Despite its internal disagreement regarding the claim as supplemented, the PTO was consistent on one point—at no time did the PTO conclude that the five clauses in the original claim, which are the first five of the seven clauses of claim 3, patentably distinguish Lemelson's invention from the prior art.

Lemelson, on the other hand, takes the position in his brief on appeal to this court that the supplemental clauses —clauses [f] and [g]—do nothing to distinguish Gardiol and the other prior art. He argues that the distinctions between Claim 3 and the prior art occur in the limitations described in the first five clauses of claim 3. Lemelson justifies this position by suggesting that the Examiner's rejection of the five-clause claim as anticipated by Gardiol simply "did not make sense. Patent examiners, like the rest of us, occasionally make mistakes."

This argument is without merit. During prosecution of the original patent, Lemelson cancelled the five-clause claim in face of the Examiner's rejection, and submitted for allowance the claim with the additional clauses, as suggested by the Examiner. Lemelson cannot acquiesce to a rejection and to an agreed alternative, and now

years later shift his stance 180° to argue for a second bite at the abandoned apple. Other players in the marketplace are entitled to rely on the record made in the Patent Office in determining the meaning and scope of the patent.

The question of whether the original five-clause claim was patentable over Gardiol and the other prior art is thus foreclosed.[5] If reissue claim 3 is distinguishable at all from the prior art, it must be because of something in the added two clauses. The evidence adduced at trial would not allow a reasonable jury to read the prosecution history and the specification any other way.

2. Hot Wheels and Infringement

The evidence at trial demonstrated that the Hot Wheels track is basically the same as Gardiol, but without the internal support. Hot Wheels uses external attachments, as does Lemelson, to define the shape of the track for any particular configuration. However, there is no evidence of any other significant difference between Hot Wheels and Gardiol. Both have an upper surface for supporting a movable object. Both are capable of undergoing three-dimensional deformation. Both have longitudinal sides which limit the lateral movement of the movable object. The evidence at bar pointed to nothing in the Hot Wheels

[5] *Insta-Foam Products, Inc. v. Universal Foam Systems Inc.*, 906 F.2d 698, 15 USPQ2d 1295 (Fed. Cir. 1990), cited by Lemelson in his brief, is inapplicable to the facts of the instant case. In *Insta-Foam*, this court upheld the district court's holding that the mere acceptance and rewriting of an allowed dependent claim in independent form did not establish prosecution history estoppel in that case. 906 F.2d at 703-04, 15 USPQ2d at 1298-99. However, the question there was not whether the abandoned broader claim was nevertheless patentable, as Lemelson argues here, but whether, for purposes of determining infringement under the Doctrine of Equivalents, the abandonment evidenced intent regarding a limitation which was already in the claim before the amendment, and which was not disclosed by the prior art at issue. 906 F.2d at 703 & n.3, 15 USPQ2d at 1299 & n.3.)

track which is not found in Gardiol. Gardiol differs only in having an extra element—the internal core for structural support.

In arguing at trial that the claims of his patent 'read on' the accused device, Lemelson failed to demonstrate that the Hot Wheels track included each claim limitation or its equivalent. The testimony on the point contributed nothing of substance to the language of the claims, *e.g.*, Lemelson testified that clause [f] "adds something to the earlier phrases of the claim and that is that the guide means includes a pair of spaced apart runner portions for defining the pathway of a vehicle moving over the track," and that clause [g] "adds some language to the preceding phrases of the claim by saying that the 'spaced apart runner portions include upwardly extending rails.' "

As discussed, *supra*, the jury, if its verdict regarding infringement is to be sustained, must have interpreted clauses [f] and [g] to add something to the claim not found in the first five clauses and that is found in Hot Wheels; and if its verdict regarding validity is to be sustained, that something must not be disclosed by Gardiol. But there is no substantive evidence to distinguish Hot Wheels from Gardiol; Lemelson identified no elements in the Hot Wheels track that correspond to limitations [f] and [g]. Absent sufficient evidence in the record to support the conclusion that Hot Wheels is distinguishable from Gardiol, it follows that Hot Wheels could not be found to meet all of the limitations contained in the Lemelson patent, either literally or by equivalents.

We therefore conclude that no reasonable jury could read reissue claim 3 both to be valid in view of Gardiol *and* infringed by Hot Wheels. When properly placed in the context of the prosecution history and the demonstrated meaning of the several clauses of the claim, these are inherently inconsistent conclusions. To the extent the jury so concluded, there was error, and the trial court

should have granted the motion for JNOV as to the finding of infringement.[6]

III. CONCLUSION

We reverse the judgment entered by the District Court on the issue of infringement.

COSTS

Each party is to bear its own costs.

REVERSED

[6] Due to the posture of the case on appeal, the question of whether the patent is valid, even though not infringed, is not before us.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

Docket No. 77 C 4558

JEROME H. LEMELSON,

Plaintiff,

vs.

MATTEL, INC.,

Defendant.

Chicago, Illinois
November 20, 1989
10:30 o'clock a.m.

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE CHARLES P. KOCORAS

APPEARANCES:

For the Plaintiff:

MESSRS. HOSIER & SUFRIN, LTD.
By: MR. JOHN T. GABRIELIDES
100 South Wacker Drive
Chicago, Illinois 60606
and
MESSRS. SPERLING, SLATER & SPITZ
By: MR. BRUCE SPERLING
55 W. Monroe, Suite 3300
Chicago, Illinois 60603

For the Defendant:

MESSRS. KECK, MAHIN & CATE
By: MR. SHELDON KARON and
MS. NAOMI EDELHEIT
233 S. Wacker Drive, 83rd Floor
Chicago, Illinois 60606

[2] THE CLERK: 77 C 4558, Lemelson vs. Mattel, Incorporated.

MR. KARON: Good morning, your Honor.

MR. SPERLING: Good morning, your Honor.

Your Honor, as a preliminary matter, I believe Mr. Hosier called your chambers on Friday and indicated he couldn't be here this morning and asked that I appear for him.

THE COURT: Okay.

MR. KARON: Sheldon Karon for the defendant.

MR. SPERLING: Bruce Sperling for Mr. Lemelson.

MR. GABRIELIDES: John Gabrielides, also for Mr. Lemelson.

MR. KARON: Sheldon Karon for the defendant Mattel.

THE COURT: I have a ruling, so you can sit down, if you like. It will take a little while to read into the record.

At the close of all of the evidence, Mattel filed a motion for directed verdict essentially on the following grounds:

One, that Claim 3 of plaintiff's patent cannot read on Mattel's Hot Wheels track system because each element of Claim 3 is not present in Mattel trackway system; two, Claim 3 is invalid under 35 U.S.C. 102 having been described and patented by Franco Gardiol in Italian Patent No. 511980; three, Claim 3 is invalid under 35 U.S.C. 103 because the invention was obvious to one of ordinary skill in the art; and, four, Claim 3 is [3] invalid under 35 U.S.C. 112 because it does not distinctly claim the subject matter which plaintiff regards as his invention.

The motion filed by Mattel at the close of the plaintiff's case included the following arguments:

One, there was estoppel by virtue of prosecution history; two, no competent expert opinion evidence that Hot Wheels track infringes Claim 3 was presented to the jury or to the Court—failure to prove infringement, in other words; three, on-sale bar, a requirement which calls for the defendant to prove that the plaintiff sold or offered

to sell more than one year before the patent application, and the defendant relied on submissions of the plaintiff's invention and drawings to various toys companies one year prior to the application; four, the printed publication bar similar to on-sale bar; five, laches, a circumstance where the patentholder delays filing suit for an unreasonable period of time and an excusable length of time after notice of infringement; and, six, estoppel, a circumstance where the plaintiff is estopped if, in addition to the laches element, the plaintiff commits acts which induce the infringer to believe that the patentholder has abandoned his claim and the infringer relies to his detriment on that mistaken belief.

Now, the standard for a directed verdict is as follows:

Where there is evidence upon which a jury can reasonably find for the non-movant, the motion for directed [4] verdict must be denied.

Now, with respect to argument number one, the estoppel argument, the doctrine of prosecution history estoppel is irrelevant where there is literal infringement. Fromson vs. Advance Offset Plate, Inc., 720 F.2d 1565, at 1571, a 1983 Federal Circuit case.

This doctrine bars a patentee from construing his or its claims in a way that would resurrect subject matter previously surrendered during prosecution of the patent application, and thus prevent a patentee from enforcing its claims against otherwise legal equivalent structures if those structures were excluded by claim limitations added in order to avoid prior art.

That is the Mamesmann Demag Corp. vs. Engineered Metal Products case, 793 F.2d 1279, a 1986 Federal Circuit case.

This case, the instant case, was essentially one of literal infringement and so tried by both sides. In view of the jury's verdict as to literal infringement, Verdict One, the doctrine of prosecution estoppel is not applicable here. It is therefore unnecessary to analyze the amendments in the prosecution history of the plaintiff's patent and unnecessary to decide the issue of prosecution estoppel.

With regard to argument two and lack of plaintiff's expert on the matter of infringement—argument two of the motion at the close of plaintiff's case—there was no legal [5] necessity for the plaintiff to use an expert witness to render an opinion on the fact issues relating to the infringement, although it is common to do so. The question is whether the jury had before it sufficient evidence, including the testimony of the plaintiff Lemelson, to support the finding it could have rendered on that subject and which it ultimately did. It simply cannot be said Lemelson's testimony about his own patent and the comparison to defendant's Hot Wheels product was either a surprise, unfair, unqualified by virtue of a lack of some foundational requirements or inappropriate in some way. Lemelson was fully cross-examined by the defendant and, where appropriate, defendant's objection to his testimony sustained. No due process or other equivalent consideration was violated by his testimony.

With respect to arguments three and four, the on-sale bar or prior publication bar: In this case, the evidence discloses Lemelson discussed the concept of his invention with the use of sketches to various toy companies under strict confidentiality terms, terms which were apparently common in the toy industry. No toys or other products were sold, no sales or licenses of any kind were issued or consumated, no unrestricted use nor apparently any other use of plaintiff's statements, sketches or drawings were ever made. All discussions were in early formative stages and never resulted in anything. Everybody walked away from those discussions—Mr. Lemelson and [6] the toy companies with whom he spoke—occupying the same legal position they occupied before the discussions. There was no public disclosure by either the toy companies or by Mr. Lemelson as to those discussions, their scope or their subject matter, nor any sketches or drawings displayed to others which were received in confidence.

Under the undisputed and clear facts of this case, the on-sale bar and printed publication bar are simply inapplicable. The jury's verdict in these two questions, Ver-

dicts Five and Six, are not only supported by the evidence, but are mandated by it.

With respect to arguments five and six, laches and estoppel: If established, laches is an equitable defense which bars recovery for infringement occurring prior to the filing of suit. Laches is to be determined from all of the facts of the case. Where the delay in filing exceeds six years, as it does here because plaintiff knew of defendant's infringement more than six years prior to suit, the delay is presumed to be unreasonable and prejudicial, shifting the burden to the patent owner to establish an excuse for the delay, as well as lack of prejudice to Mattel.

The related doctrine of estoppel which, if established, prevents the patentholder from obtaining prospective relief, requires affirmative conduct by the patent owner that the patent has been abandoned and that the defendant has relied on that [7] affirmative conduct to its detriment.

The trial evidence on these two issues is supplied almost exclusively by the plaintiff Lemelson. He said, in substance, as follows:

One, he tried long and hard to license his patent to Mattel, but they refused; two, he attempted to get a license on his Activity Doll from Mattel and did not want to rock the boat by threatening suit or suing on the instant patent until 1973 or 1974; three, he told Mattel he was going to sue here, but it might take a while; four, he had to find a contingent fee lawyer to take his case and, when he did so, he sued.

It is clear Mattel was never misled by plaintiff's intentions here and it is equally clear Mattel never relied on anything plaintiff said to its detriment. Mattel made and sold Hot Wheels before plaintiff said he was going to sue, made and sold Hot Wheels after plaintiff said he was going to sue, made and sold Hot Wheels after Mattel was sued, made and sold Hot Wheels during the entire period of the reissue proceedings. Mattel's motion from

the get-go has consistently been that plaintiff's patent was invalid and not infringed by its Hot Wheels product.

Plaintiff's explanation—unrebutted—as to the reasons for the delays involved are reasonable under the circumstances and the presumption has been rebutted. It would simply be inequitable to preclude suit or recovery by plaintiff [8] on this record, and particularly so in light of the length of the reissue proceedings and the defendant's participation therein.

Additionally, no prejudice has been established. Max Shirk testified through deposition and dimmed memories were, for the most part, refreshed by the use of documents made contemporaneously with events.

Now, with respect to defendant's motion at the close of all of the evidence, the first question is whether or not Mattel infringes because all of the elements of Claim 3 are allegedly not found in Hot Wheels.

The jury found all elements of Claim 3 present in Mattel's Hot Wheels product. Interpreting the plaintiff's claim in light of the specifications and drawings did not require the jury to conclude that "upwardly extending rails" in element 7 meant a structure like a railroad track rail. Rails could have been found to mean raised edge portions of both the plaintiff's invention and the Mattel track.

While the claim language is not a model of clarity or specificity, the jury, relying on all of the evidence in the case, could have reasonably concluded that elements 6 and 7 narrowed the structures coming within Claim 3, rendering them as supplying additional limitations not found in elements 1 through 5, and thereby and therefore not redundant. There is no question elements 1 through 5 of plaintiff's patent read on Hot [9] Wheels and the jury was not irrational in concluding that each element of Claim 3 was found in Hot Wheels. The plaintiff's patent was infringed as a matter of fact, as the jury essentially found, and as a matter of law, as I find.

Anticipated by Italian Gardiol, argument number two: Fairly read, there is simply no basis to conclude that the

Italian Gardiol patent discloses all of the elements of Mr. Lemelson's invention. Italian Gardiol, just as U.S. Gardiol, teaches a track that is capable of self-support. That self-support is derived from two wires in it which, when bent to a particular configuration, determine its shape. It is not a track that takes its shape from underlying support means or attached accessories which operate to flex the track and give it shape and configuration. There is a significant difference between Italian Gardiol and U.S. Gardiol on the one hand and Lemelson's patent on the other, both in the claims, the trackway embodied in the claim and its physicial embodiment altogether. Both as a matter of fact and law, the plaintiff's invention was not anticipated by Italian Gardiol or, for that matter, U.S. Gardiol.

Argument number three having to do with obviousness: That the Hot Wheels product was new, revolutionary, relatively simple and novel is really undoubted. Prior to plaintiff's invention, the notion of the combination flexible track, bases of forming same, accessories and a toy vehicle were not present in [10] the marketplace and not taught in prior art references. Once Hot Wheels came out, it had a legion of copycats. Significantly, none preceded it other than the plaintiff's idea. There was expert opinion testimony that plaintiff's invention was not obvious. If it was, I believe the public would have seen it sooner and from an origin other than Mattel. One need not be an expert to have seen this was not obvious at the time.

The jury's factual finding is correct, Verdict 4, and plaintiff's invention was not obvious as a matter of law.

Argument number four, whether or not the invention was distinctly claimed: The last and closest question raised by Mattel is the notion that Claim 3 is invalid because it does not distinctly claim the subject matter which is plaintiff's invention. Surprisingly, at least to the Court, is the relatively short shrift this issue was given at trial and in the moving papers of Mattel and answering papers of Lemelson. To say that Claim 3

lacks great clarity is to be benevolent to the claim language. If viewed in isolation and without regard to the patent specifications and drawings, it is questionable whether one skilled in the art would understand precisely what the claimed invention was, be able to make a model of it or otherwise develop a product physically embodying its teachings.

Terms such as "guide means," "plural parallel extending surfaces," "spaced apart runner portions" and "upwardly extending rails" are used, sometimes indiscriminately, sometimes [11] synonymously and sometimes not synonymously. Whether the terms used were motivated by an effort to get out from under U.S. Gardiol, the patent examiner's objections, or to make claim read as broadly as possible, is known only to Mr. Lemelson.

Additionally, the phrase "normally incapable of self-support" may well be understood to be a limp track. Anybody who has seen the Hot Wheels track in operation, or played with it can tell you that a completely limp track is not the beautiful play value of the Mattel track. The track must be sufficiently flexible to be able to conform to external bases, attachment supports, but not so flexible as to derive its configuration entirely from those external objects or devices.

In other words, what is the right level of flex track that would set this track apart from its predecessors, making it novel and, as we have seen, supplying in good measure its commercial success? The words of the claim do not answer question definitively.

A decision on whether a claim is invalid under Section 112, paragraph 2, requires a determination of whether those skilled in the art would understand what is claimed when the claim is read in light of the specification. That is the Orthokinetics, Inc., vs. Safety Travel Chairs, Inc., case reported at 806 F.2d, 1565 and 1576, a 1986 Federal Circuit case.

[12] If the claim in issue, read with the specification, reasonably apprises those skilled in the art and the lan-

guage is as precise as the subject matter permits, the law is satisfied.

The jury said that the subject matter of Claim 3 was clearly and distinctly claimed by the plaintiff. Did the jury act reasonably in making the fact determination that one skilled in the art would understand what the claimed invention was? I believe it did.

Would the jury have been acting reasonably if it had concluded that one skilled in the art would not understand what the claimed invention was? I believe so. The evidence in this case does not drive either conclusion to the exclusion of the other. As such, the jury's verdict must be allowed to stand.

Additionally, and as a matter of law, the plaintiff's patent is not rendered invalid because it was not clearly and distinctly claimed.

The plaintiff's motion for a directed verdict is also denied and is, of course, moot in light of the jury's verdict. There were material issues of fact to be decided by the jury which underlay issues of validity, infringement and wilfulness.

As to the issues of laches and estoppel, I just pronounced my ruling in favor of the plaintiff based on an analysis of the evidence in the case.

I believe that disposes of all of the pending motions not otherwise ruled on previously; and, consequently, judgment [13] will be entered in favor of the plaintiff and against the defendant in the amount of the jury's verdict, or $24,780,000.

* * * *

APPENDIX C

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

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77 C 4558

JEROME H. LEMELSON,
Plaintiff,

v.

MATTEL, INC.,
Defendant.

MEMORANDUM OPINION

CHARLES P. KOCORAS, District Judge:

Mattel, Inc. ("Mattel") has filed a motion for judgment notwithstanding the verdict or, alternatively, for a new trial. Mattel's JNOV motion challenges all of the jury's special verdicts other than the willful infringement verdict. The alternative motion for a new trial is directed to the jury's finding of willful infringement and to certain of the Court's own factual findings, legal conclusions and certain rulings with respect to jury instructions. Jerome H. Lemelson ("Lemelson") has filed a motion seeking enhanced damages and attorneys fees on the basis of the jury's finding of willfulness and that this is an exceptional case within the meaning of 35 U.S.C. § 285. In addition, Lemelson has moved for an award of prejudgment interest.

Mattel's 46 page memorandum in support of its motion is, in significant measure, a reargument of its directed

verdict motions made at trial. Specifically, Mattel reasserts that Lemelson is legally barred from recovery as a matter of law under the doctrine of prosecution history estoppel, that there is no evidence to support infringement based on the doctrine of equivalents, that Lemelson's invention was anticipated by the Italian Gardiol patent and that Lemelson's invention was obvious. Because all of these assertions were previously carefully considered and rejected, there is no occasion to depart from the Court's previous decision or the basis supporting it.

As to the argument that the Court misapplied the legal standard on the issue of obviousness, Mattel's position is in error. Although Mattel's quote from the Transcript of Proceedings of November 20, 1989 is accurate, it neglected to quote the rest of the paragraph which makes quite clear that the standard was not misapplied. It was *plaintiff's* invention that was stated to be not obvious according to that transcript, just as it was stated in the following paragraph that the jury's finding was correct and that the *plaintiff's* invention was not obvious as a matter of law. What Mattel left unquoted, among other things, was that "prior to plaintiff's invention, the notion of a combination flexible track, bases of forming same, accessories and a toy vehicle were not present in the marketplace and not taught in prior art references. Once Hot Wheels came out, it had a legion of copycats. Significantly, none preceded it other than plaintiff's idea." Transcript at pages 9 and 10. Because Lemelson's idea was never embodied by him in a model or marketed as a commercial product, the toy world had never seen an embodiment of Lemelson's invention until Hot Wheels came along. Hot Wheels was an embodiment of Lemelson's idea when it was introduced, and it was the first such embodiment that anybody in the marketplace had ever seen. The Hot Wheels *product* was new and, "other than plaintiff's idea," nothing had preceded it. The selective citation of the transcript by Mattel is both misleading and wanting as a basis for the reversal it now seeks.

In addition to the above assertions, Mattel urges that a new trial be granted on a host of other grounds. In particular, Mattel says that the finding by the jury that Mattel willfully infringed must be reversed in order to prevent a miscarriage of justice. The Court is invited to consider the credibility of witnesses and the weight of the evidence in determining whether a new trial is warranted in order to prevent a manifestly unjust result in this case.

In making its supporting presentation, Mattel carefully isolates evidence favorable to it on the willfulness issue and ignores that which is harmful. The jury had before it a considerable body of evidence from which it could base a finding of willfulness. It chose to do so and the Court suffers no misgivings from that verdict, either as an initial matter (were it the fact-finder) or upon review. The finding was supported by the evidence and fully warranted by any fair notion of justice. Mattel's appeal to the credibility of witnesses is equally unavailing. Having listened carefully to the witnesses testifying on each side of the case, there is no doubt that the superior reliability of non-party witnesses was found on the plaintiff's side of the case. The witnesses Robert McDarren and William Pipa were straightforward, candid and reliable. There was a considerable difference in the believability of witnesses identified with the parties in the case and, aside from the hard objective evidence, the jury's verdict necessarily reflected that difference. This opinion is not intended to be critical of either side's witnesses, but an invitation to assess their credibility compels the conclusion stated. The jury's fact determinations were not against the manifest weight of the evidence.

Mattel also makes a particularly sharp attack on the jury's damage award, contending that it was speculative and unsupported by substantial evidence. Extrapolating selectively from the evidence, Mattel concludes that the entire market value rule cannot be applied in this case,

because "Hot Wheels cars could be operated and were operated and used without the patented track. They were marketed as separate staple items independent of the track." Memorandum at p. 26. Although acknowledging the legal test to be whether unpatented elements were components which derived their value from the patented product, Mattel claims that "the sale of the Hot Wheels cars and virtually all of its accessories were in no way dependent upon the sale of the track." Memorandum at p. 28. This contention is simply and plainly untrue.

Lemelson's patent covered a vehicle in combination with a flexible track—a system toy. Mattel's Hot Wheels toy was conceived and marketed as an integrated toy system which was made up of the car, track and accessories. Mattel engaged in substantial research and investigation, both as to the type of car that was desirable and the type of track appropriate for the car. These were interconnected developments and the use of the car by a child was intended to be in connection with the track with which it was sold. Anybody who glimpsed the evidence at trial, indeed, anybody who has ever played with a Hot Wheels toy set, knows that the car and track go together. It is only in that combination that the Hot Wheels toy set derives its enormous play value and, necessarily, the genesis for its commercial success.

Reasonable people can argue into the night whether it is the track portion of the Hot Wheels set which principally accounts for its commercial success, or whether it is the car which does so, assuming the issue of segregation is otherwise a necessary one. The Court's view is that the track, and its particular flexibility, was the major basis for success. But it is not unlike the question of whether it was Fred Astaire or Ginger Rogers who was the principal ingredient of the dancing perfection they created. To ask the question is to miss the mark; it was their unique combination that brought us dancing magic. So it is with Hot Wheels, or at least a jury could have

so found on this evidence. The jury was asked to determine the application of the market value rule. Although the verdict was apparently a compromise of sorts, the jury essentially decided this fact issue in favor of the plaintiff. The jury could, and obviously did, consider *all* of the evidence before it and not just the evidence Mattel isolates in its memorandum and then exalts as if uncontradicted. The jury's verdict neither lacked an evidentiary basis nor can be said to have been reached without the application of reason. As such, it cannot be disturbed.

The more difficult issue to be resolved, however, is the plaintiff's motion for increased damages and attorneys fees based on Mattel's willfulness. The underpinning for that difficulty is this: there was no evidence presented at trial (1) which suggested that Mattel derived its own ideas and concepts for the Hot Wheels toy from Lemelson; (2) that Mattel used Lemelson's ideas in the substantial and costly research and development effort it invested in the Hot Wheels product; or (3) that the track (whether the material from which it was to be made, its size, configuration, or, significantly, its degree of flexibility) was conceived or produced through any inspiration other than Mattel's own.

Mr. Lemelson never made a track and never made a model showing the combination effect of a toy car (and a fast one at that) on a flexible track. In short, Mattel never borrowed, stole, or otherwise availed itself of any of Mr. Lemelson's ideas or teachings. The Hot Wheels toy product was entirely an independent creation of Mattel, and rightful credit for the collective genius which brought it to the homes of generations of our children belongs to it.

Of course, were that the legal standard, there would have been no legal liability in the first instance. But Congress has already decided, for commendable policy reasons, that the owner of a patent need not establish

that a defendant traded on his work before awarding him damages for infringement of his patent. And it is equally true that the test of whether to enhance a jury's damage award is neither so simple nor so narrow a question as to whether the infringing product was independently created. The law of damages is broader and more complex than that, and it is necessary to the analysis to weigh all of the evidence before the jury and the Court.

It is true, as pointed out above, that Mattel did not use Lemelson to its economic benefit in the development and sale of the Hot Wheels product. It is equally true, however, that when Lemelson came calling with his patent in hand, Mattel barely gave him the time of day. Mattel has resisted Lemelson's claims every step of the way and has fought him at every turn. Although vigorous opposition is not lawfully precluded, the jury's verdict established that Mattel acted improperly and unreasonably in maintaining its resistance.

In a determination of willfulness and its consequences, the totality of circumstances are considered. Willfulness in infringement, as in life, is not an all-or-nothing trait, but one of degree. *Rite-Hite Corp. v. Kelley Co., Inc.*, 819 F.2d 1120, 1125 (Fed. Cir. 1987). In addition to the jury's finding of willfulness, the plaintiff argues that Mattel's defense at trial as to the claimed invalidity of Lemelson's patent and noninfringement thereof was not presented in good faith. Asserting that willfulness is not the only basis on which the court may find the case "exceptional" within the meaning of 35 U.S.C. § 285, the plaintiff asserts that the Court and jury were treated to a crass and inexcusable (and unsuccessful) attempt to mislead them. Memorandum in Support of Motion for Award of Prejudgment Interest, Increased Damages and Attorneys Fees at p. 13. Other than inequitable conduct and willfulness, vexatious or unjustified litigation, as well as misconduct during litigation, may be so "exceptional"

as to justify an enhancement of damages or an award of attorneys fees.

While the Court is not prepared to say that Mattel litigated in bad faith, there is no doubt that some of the witnesses associated with Mattel lacked credibility in certain material respects. The jury's verdict necessarily reflected that conclusion. To a significant extent, the nature and quality of the defense presented by Mattel has already been addressed and evaluated by the jury in its verdict.

In the last analysis, the measures of damages, as indeed the assessment of attorneys fees, provides an opportunity for the trial court to balance equitable concerns as it determines whether and how to recompense the successful litigant. On Lemelson's side of the equitable scale is evidence that Mattel acted unreasonably in determining whether its Hot Wheels toy product infringed his patent, holding that it did not, and in willfully failing to recognize the validity of that patent despite substantial evidence of validity. Lemelson has had to go through considerable effort and expense in prosecuting his rights for many years in a variety of forums. His patent rights have not been easily vindicated and it is a testament to his endurance that he has prevailed to date. On Mattel's side of the scale of equitable justice is that, without the benefit of a single act of assistance from a man who now seeks millions, it created the second most popular and commercially successful toy in United States history. Although seeking to set aside the jury's verdict on other grounds, implicit in Mattel's arguments on the enhancement question is the idea that the jury's verdict has resulted, in the first instance, in an unjust result.

By any measure, $24,780,000 is a lot of money. Notwithstanding Mr. Lemelson's travails, the jury's verdict represents a substantial balm for him. Indeed, given that the jury effectively applied a reasonable royalty rate to all of the sales of Hot Wheels products, it is the Court's

determination that the damage award need not be enhanced in order to render appropriate justice to Mr. Lemelson. While the jury had every right to award what they did because there was an evidentiary basis to do so, it is incumbent upon the Court to recognize the full measure of that award in deciding the enhancement request. Accordingly, the motion for an enhancement of damages and for an award of attorneys fees is denied.

The Supreme Court of the United States has decreed that prejudgment interest should ordinarily be awarded under 35 U.S.C. § 284 where necessary to afford full compensation for the infringement. Prejudgment interest should ordinarily be awarded absent some justification for withholding such an award. In the typical case of an award of prejudgment interest is necessary to ensure that the patent owner is in as good a position as he would have been in the infringer had entered into a reasonable royalty agreement. An award of interest from the time that the royalty payments would have been received merely serves to make the patent owner whole, since his damages consist not only of the value of the royalty payments but also of the foregone use of the money between the time of infringement and the date of the judgment. *General Motors Corp. v. Denex Corp.*, 461 U.S. 648, 103 S. Ct. 2058 (1983). The Federal Circuit and the Seventh Circuit, as well as other circuits, have dutifully followed the Supreme Court's direction.

Mattel advances essentially three arguments against the imposition of prejudgment interest. The first is that the affidavit of Paul J. Duggan should not be considered because neither he nor his calculations were listed in the Pretrial Order. Because the issue of prejudgment interest is a matter exclusively for the Court and to be resolved post-trial, and then only if the plaintiff prevails, neither the witness nor his computations were appropriate for inclusion in the Pretrial Order. Mattel's position is frivolous.

The second argument is that the Duggan affidavit contains inadmissible hearsay and double hearsay. The Federal Rules of Evidence allow experts to base their opinions on hearsay if that hearsay is of a type reasonably relied upon by experts in the particular field. F.R.E. 703. Duggan's affidavit does not rely on inappropriate bases.

Finally, Mattel argues that prejudgment interest should either be denied or substantially limited because any delay in these proceedings was attributed to plaintiff's voluntary actions. It is particularly urged that the period of the reissue proceedings, almost seven years, be eliminated from the calculation.

In the leading case on the subject, the Supreme Court thought that prejudgment interest was appropriate in a case that had been pending for 20 years. *Denex Corp. v. General Motors Corp.*, supra. Beyond that, there is no basis to conclude Mattel was prejudiced by virtue of the delay. Its conduct in the manufacture and sale of Hot Wheels continued unabated, irrespective of the threat of suit, being a defendant in an infringement suit, and participating in a lengthy reissue proceeding in which the validity of Lemelson's patent was reaffirmed. As Judge Posner stated in *Gorenstein Enterprises v. Quality Care USA*, 874 F.2d 431, 436 (7th Cir. 1989), the time has come to generalize and to announce a rule that prejudgment interest should be presumptively available to victims of federal law violations. There is no good reason in this case to adopt the extraordinary determination that prejudgment interest should not be assessed.

As suggested by Judge Posner in *Gorenstein*, the prime rate for fixing prejudgment interest should be used where there is no statutory interest rate. That rate is both readily ascertainable and provides a reasonable estimate of the interest rate necessary to compensate the plaintiff for the loss of the use of money and for the risk of de-

fault. In addition to the appropriate rate, it is also necessary to establish the method by which the rate is to be applied in the hypothetical royalty relationship that is the predicate of the jury's findings.

There is reliable evidence in the record that the toy industry standard and custom was that royalties were due and payable on the first day following the end of each calendar quarter with a fifteen to twenty day grace period being permitted within which to make the payment without triggering a notice of termination. Transcript 1924 and 1925. There is also evidence that the obligation to pay the royalty is established at the time the manufacturer ships the toys to its customers. Transcript at 1930. It was also typical in the industry that manufacturers would ship 25% of their annual volume in the first quarter of the year, 25% in the second quarter, 35% in the third quarter and 15% in the last quarter. Transcript at 1929 and 1930.

The total sales of Mattel for its Hot Wheels products from 1971 through 1986, the infringement period, was $545,979,070. The annual sales amounts are reflected in Plaintiff Exhibit 69B. Because the jury was not asked to determine a royalty rate but rather to determine only the amount of damages, it is necessary to calculate a royalty rate based on their damages finding of $24,780,000 for purposes of determining prejudgment interest. The result produced by dividing the damage award figure of $24,780,000 by the total sales figure of $545,979,070 produces an effective royalty rate of 4.53864%. The Court believes this is the fair and proper way in calculating the amount of prejudgment interest due to Mr. Lemelson. Because this hypothetical royalty would have been due and payable on the first day following the close of each calendar quarter, it also seems proper to compound interest quarterly inasmuch as that period corresponds to when the royalty payment would have been received and available for investment.

To summarize, the plaintiff is entitled to prejudgment interest on his damage award of $24,780,000. In determining the amount of the interest, the prime interest rate is to be used. The quarterly prime interest rate compiled and published by the board of Governors of the Federal Reserve System for the relevant quarters as set forth in the *Annual Statistical Digest, 1972-89*, shall be the source for the rate. The prejudgment interest shall be determined as if a royalty rate of 4.53864% was paid by Mattel to Lemelson based on actual sales (goods shipped) on the first day following each calendar quarter and on the premise that the sales for the year broke down per calendar quarter to 25%, 25%, 35% and 15%.

Conclusion

Although not all of Mattel's arguments in support of its motion for judgment notwithstanding the verdict or for a new trial have not been addressed, they have been considered and found to be without merit. Accordingly, Mattel's motion is denied. For the reasons stated Lemelson's motion for an enhancement of the damage award and attorneys fees is also denied. Prejudgment interest shall be awarded in an amount to be determined in accordance with the methodology established by the Court in the body of this opinion.

It is so ordered.

/s/ Charles P. Kocoras
CHARLES P. KOCORAS
United States District Judge

Dated: February 6, 1990

APPENDIX D

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

Case Number: 77 C 4558

JEROME H. LEMELSON

v.

MATTEL, INC.

JUDGMENT IN A CIVIL CASE

☒ Jury Verdict. This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

IT IS ORDERED AND ADJUDGED that Mattel's motion for judgment notwithstanding the verdict or for a new trial is denied. Lemelson's motion for an enhancement of the damage award and attorneys' fees is denied. Prejudgment interest shall be awarded in an amount to be determined in accordance with the methodology established in the Memorandum Opinion of February 6, 1990. Judgment is hereby entered in favor of the plaintiff Jerome H. Lemelson and against the defendant Mattel, Inc. in the amount of $24,780,000.00. There being no just reason for delay, final judgment is hereby entered.

H. STUART CUNNINGHAM
Clerk

/s/ [Illegible]
(By) Deputy Clerk

Date February 6, 1990

APPENDIX E

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

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77 C 4558

JEROME M. LEMELSON,
Plaintiff,

v.

MATTEL, INC.,
Defendant.

MEMORANDUM OPINION

CHARLES P. KOCORAS, District Judge:

Defendant Mattel, Inc. ("Mattel") has moved pursuant to Rule 59(e) of the Federal Rules of Civil Procedure to alter or amend the judgment entered in this action on February 6, 1990. The specific holding of the Court under challenge is the award of prejudgment interest without deduction for the income taxes that plaintiff Jerome Lemelson would have had to pay had he actually received the royalties awarded by the jury as compensatory damages. It is contended by Mattel that the Court's calculation of prejudgment interest without deduction for income taxes would result in a windfall to Mr. Lemelson contrary to the compensatory purpose of prejudgment interest, is contrary to controlling legal authority, and is particularly unjustified and inequitable in light of the circumstances of this case.

Plaintiff's opposition to the motion is both procedural and substantive. Plaintiff's position is that this identical

"tax effect" argument was advanced by Mattel's prior counsel and that new counsel has done nothing more than put the old argument in new words. Plaintiff contends not only that there was no manifest legal error in the Court's ruling, but that to adopt Mattel's position would be to make a fundamental change in the law and one which does not make sense in the present context.

Motions made under Fed. R. Civ. P. 52(b) and 59(a) are not intended merely to relitigate old matters nor are such motions intended to allow the parties to present the case under new theories. Instead, these motions are intended to correct manifest errors of law or fact or to present newly discovered evidence. *Ill. Cent. Gulf R. Co. v. Tabor Grain Co.*, 488 F. Supp. 110, 122 (N.D. Ill. 1980). As the Supreme Court has stated, the draftsmen of Rule 59(e) "had a clear and narrow aim . . . to 'make[e] clear the power 'to rectify its own mistakes in the period immediately following the entry of judgment." *White v. New Hampshire Dept. of Empl. Sec.*, 455 U.S. 445, 450, 102 S. Ct. 1162, 1166 (1982) (quoting Notes of Advisory Committee on 1946 Amendment to Rules, 5 F.R.D. 433, 476 (1946).

Mattel's precise "tax effect" argument has been previously made in its former post-trial submissions and rejected. Nothing in its current submissions makes the case that the calculation of prejudgment interest by the Court constitutes manifest legal error. Indeed, there is ample legal authority for computing prejudgment interest without regard to the "tax effect" which Mattel contends skews the result obtained here. See *Paper Converting Machine v. Magna-Graphics*, 576 F. Supp. 967, 979 (E.D. Wisc. 1983), *aff'd* 745 F.2d 11, 23-24 (Fed. Cir. 1984); *Shirley, Inc. v. Bentley Laboratories, Inc.*, 225 U.S.P.Q. 1013, 1020 (C.D. Cal. 1985), *aff'd* 794 F.2d 1561 (Fed. Cir. 1986); and *IIT Corp. v. U.S.*, 17 Ct. Cl. 199, 242-243 (1989).

The time has come in the district court to send the case forward on its legal journey. Rule 59(e) is not intended

to rehash arguments previously considered and rejected. Mattel's "tax effect" argument was previously held to be devoid of merit. That judgment shall be undisturbed, and Mattel's motion to alter or amend it is denied.

/s/ Charles P. Kocoras
CHARLES P. KOCORAS
United States District Judge

Dated: April 20, 1990

APPENDIX F

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

Case Number: 77 C 4558

JEROME H. LEMELSON

v.

GENERAL MILLS, INC. *et al*

AMENDED JUDGMENT IN A CIVIL CASE

☒ Decision by Court. This action came to trial before the Court. The issues have been tried and a decision has been rendered.

IT IS ORDERED AND ADJUDGED that Mattel's motion for judgment notwithstanding the verdict or for a new trial is denied. Lemelson's motion for an enhancement of the damage award and attorneys fees is denied. Prejudgment interest shall be awarded in an amount to be determined in accordance with the methodology established in the Memorandum Opinion of February 6, 1990. Judgment is hereby entered in favor of the plaintiff Jerome H. Lemelson and against the defendant Mattel, Inc. in the amount of $24,780,000.00. All other claims in this case are dismissed with prejudice. There being no just reason for delay, final judgment is hereby entered.

H. STUART CUNNINGHAM
Clerk

/s/ [Illegible]
(By) Deputy Clerk

Date May 8, 1990

APPENDIX G

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

90-1359

JEROME H. LEMELSON,
Plaintiff-Appellee,
v.
GENERAL MILLS, INC.,
GENERAL MILLS FUN GROUP, INC.,
MARVIN GLASS & ASSOCIATES,
Defendants,
and
MATTEL, INC.,
Defendant-Appellant.

ORDER

[Filed Aug. 11, 1992]

Before RICH, Circuit Judge, NEWMAN, Circuit Judge, and PLAGER, Circuit Judge.

A petition for rehearing and having been filed in this case,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, denied.

The suggestion for rehearing in banc is under consideration.

The mandate will issue on August 18, 1992.

Dated: August 11, 1992

FOR THE COURT

/s/ Francis X. Gindhart
FRANCIS X. GINDHART
Clerk

cc: DONALD R. DUNNER, ESQ.
GERALD D. HOSIER

APPENDIX H

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

90-1359

JEROME H. LEMELSON,
Plaintiff-Appellee,
v.

GENERAL MILLS, INC.,
GENERAL MILLS FUN GROUP, INC.,
MARVIN GLASS & ASSOCIATES,
Defendants,
and

MATTEL, INC.,
Defendant-Appellant.

ORDER

[Filed Sep. 10, 1992]

A suggestion for rehearing in banc having been filed in this case,

UPON CONSIDERATION THEREOF, it is

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

Dated: September 10, 1992

FOR THE COURT

FRANCIS X. GINDHART
Clerk

by /s/ Diane M. Frye
DIANE M. FRYE
Chief Deputy Clerk

cc: DONALD R. DUNNER
GERALD D. HOSIER

APPENDIX I

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

Civil Action No. 83-0217

JEROME H. LEMELSON,
Plaintiff,

v.

GERALD MOSSINGHOFF,
Defendant.

March 26, 1985

Opinion by: JOHNSON

MEMORANDUM OPINION

Plaintiff Jerome H. Lemelson instituted this action under 35 U.S.C. § 145 (1982) on January 26, 1983. He challenges the November 30, 1982, decision of the Board of Appeals of the United States Patent and Trademark Office (PTO) denying his reissue application for a "Toy Track Vehicle Therefor." This matter was tried before the Court. This memorandum opinion constitutes the Court's final findings of fact and conclusions of law. For the reasons stated herein the Court will enter judgment for plaintiff because his invention "as a whole would [not] have been obvious at the time the invention was made to a person having ordinary skill in the [trackway-toy-vehicle] art." The Court further rules as a preliminary matter that the following exhibits introduced by plaintiff

at trial are admissible: 1) exhibits regarding the commercial success enjoyed by Mattel, Inc. from its "Hot Wheels" track and 2) exhibits regarding the scope and content of the prior art. Defendant objected at trial to the admission of these exhibits on the ground that they either constitute irrelevant or new evidence which plaintiff neglected to present to the PTO or raise new issues and new facts. The Court disagrees. It is well established that an action in the district court under 35 U.S.C. § 145 is a proceeding de novo and while it is limited to the invention claimed in the PTO, the Court may consider any additional, competent evidence which a plaintiff neither intentionally nor negligently failed to submit to the PTO. See, e.g., California Research Corporation v. Ladd, Commissioner of Patents, 356 F.2d 813 (D.C. Cir. 1966); Schindler v. Commission of Paterts, 269 F. Supp. 630 (D.D.C. 1967); Gusmer v. Parker Acting Commissioner of Patents, 206 U.S.P.Q. 991, 996 (D.D.C. 1980); Knutson v. Gallsworthy, 74 USPQ 324 (D.C. Cir. 1947). Plaintiff's exhibits 2B-2E, 2H, and Lemelson's testimony regarding exhibits 2A, 3 and 3A, which are respectively new demonstrative evidence and new expert-witness testimony, were neither intentionally nor negligently withheld in the PTO § 145 proceedings. Similarly, the new evidence of Mattel's sales data was not intentionally nor negligently withheld by plaintiff during the PTO proceedings as it was not in his custody, control, or knowledge at that time. See, e.g., Velsicol Chemical Corp. v. Monsanto Co., 579 F.2d 1038 (7th Cir. 1978). Finally, the Court finds that plaintiff's exhibits 8A-8D, 12A-12B, and 14 neither raise new issues nor new facts and exhibits 2 and 13 are relevant to the issue of commercial success.

FINDINGS OF FACT

1. Plaintiff Jerome H. Lemelson is a resident of New Jersey.

2. The defendant Gerald Mossinghoff is the Commissioner of U.S. Patent and Trademark Office (PTO) and

by virtue of that office is a resident of the District of Columbia.

3. The Court has jurisdiction over the parties to this action and the subject matter under 35 U.S.C. § 145 (1982).

4. Plaintiff is the inventor of the invention disclosed and claimed in U.S. Patent No. 3,451,161 (Lemelson '161).

5. On December 16, 1980, plaintiff filed an application in the PTO pursuant to 35 U.S.C. § 251 and 37 C.F.R. 1.175(a)(4) (Reissue Application) to reissue the Lemelson '161 patent and the application was assigned Serial No. 216,920. (PX-20, p. 1 et seq.).

6. The Reissue Application was protested by Mattel, Inc., inter alia, under 37 C.F.R. 1.219(a). (PX-20).

7. Patent Officer Examiner and the PTO Board of Appeals, acting for defendant, disallowed claims 1-3, 6-9, and 10-19 of the Reissue Application holding them unpatentable under 35 U.S.C. § 103. Pursuant to the provisions of 35 U.S.C. § 145, plaintiff filed a complaint with this Court seeking an order authorizing the Commissioner of Patents to grant a Reissue Patent including claims 1-3, 6-9, and 11-19 of his Reissue Application. (PX-20, pp. 33-40, 90-106, 149-67).

8. Plaintiff no longer seeks relief with respect to claims 1, 2, 4, 5, and 19. (J.S.b).

9. The Patent Examiner held and the Board of Appeals affirmed that claims 1-3, 6-9, and 12-19 were unpatentable under 35 U.S.C. § 103 based upon the following prior art: U.S. Patent No. 2,574,067 (Seidman patent); U.S. Patent No. 2,532,521 (Stair patent); U.S. Patent No. 2,068,403 (Ekstrom patent), and British Patent Specification No. 489,503 (Smallwood patent). (PX-20, pp. 38, 103-06).

10. The Patent Examiner held and the Board of Appeals affirmed that claims 10 and 11 were unpatentable under

35 U.S.C. § 103 based upon the following prior art: Seidman, Stair, Ekstrom, Smallwood patents; U.S. Patent No. 2,062,333 (Gardiol patent); and U.S. Patent No. 3,016,845 (Lemelson '845 patent). (PX-20, pp. 162-66).

11. The subject matter of the Reissue Application is a non-self supporting flexible track for toy vehicles. The track is composed of flexible thermoplastic resinous polymer selected from the group consisting of polyethylene, polyvinyl chloride, and acetate resin.

12. The claims in dispute read as follows:

Claim 3: A trackway toy comprising in combination with a toy vehicle having plural wheels, a trackway including a base having an upper surface along which said vehicle may travel, guide means for defining a path of travel for said vehicle on said upper surface, said guide means including a [sic] least one formation molded integrally with said upper surface of said vehicle may ride to define said path of travel therealong, said base and said guide means being integrally molded of flexible plastic material and having the characteristic such that said base is normally incapable of self-support whereby said trackway will easily conform to non-planar surfaces and rigid support means for said trackway disposed adjacent said base and engaging a surface thereof in a manner to predetermine the shape of the base, said guide means include a pair of spaced apart runner portions for defining the pathway of a vehicle moving over said track, said spaced apart runner portions include upwardly extending rails for guiding the wheels of a vehicle.

Claim 6: A trackway toy comprising in combination with a toy vehicle having plural wheels, a trackway including a base having an upper surface along which said vehicle may travel, guide means for defining a path of travel for said vehicle on said upper surface, said guide means molded integral with said upper surface of said trackway and providing surface means against which

respective wheels of said vehicle may ride to define said path in travel therealong, said base and said guide means being integrally molded to flexible plastic material and having the characteristic such that said base is normally incapable of self-support whereby said trackway will easily conform to non-planar surfaces and rigid upright support means for suspendingly supporting said trackway therefrom in a manner to predetermine the shape of the base, said rigid upright supports comprising a supporting said track in suspension between said rigid uprights.

Claim 7: A trackway toy in accordance with claim 3 wherein said spaced apart runner portions extend the length of said trackway along the lateral borders of the trackway.

Claim 8: A trackway toy in accordance with claim 3 wherein said rigid support means supports said trackway in a manner to cause curved deflection of said trackway and to impart an arcuate shape thereto.

Claim 9: A trackway toy in accordance with claim 8 wherein said curved deflection of said trackway is affected by the weight of said trackway.

Claim 10: A trackway toy in accordance with claim 3 wherein said base has a central portion of flat sheet-like configuration and said spaced-apart runner portions extend upwardly from the upper surface of said flat sheet-like central portion and parallel to each other.

Claim 11: A trackway toy in accordance with claim 10 wherein said spaced apart runner portions extend the length of said trackway along the lateral borders of the trackway.

Claim 12: A trackway toy in accordance with claim 3 including fastening means securing said trackway to said rigid support means.

Claim 13: A trackway toy in accordance with claim 12 wherein said fastening means secures said trackway to

said rigid support means at a location such that said trackway becomes arcuately curved in deflection downwardly from said rigid support means, under its own weight.

Claim 14: A trackway toy in accordance with claim 3 wherein said trackway is formed of thermoplastic resinous polymer selected from the group consisting of polyethylene, polyvinyl chloride and acetate resin.

Claim 15: A trackway toy in accordance with claim 3 wherein said trackway if formed of an extrusion of a plastic resin of substantially constant cross section and selected from the group consisting of polyethylene, polyvinyl chloride and acetate resin and wherein said extrusion is so configured as to permit said trackway to arcuately deform downwardly under its own weight when supported by said rigid support means.

Claim 16: A trackway toy in accordance with claim 3 wherein said trackway is configured and formed of a plastic material imparting such characteristics thereto that the trackway may be twisted laterally with respect to its longitudinal axis.

Claim 17: A trackway in accordance with claim 16 wherein said trackway is supported by and attached to said rigid support means in a manner to impart a lateral twist thereto to permit a vehicle traveling along said trackway to bank in its travel along said trackway.

Claim 18: A trackway toy in accordance with claim 3 wherein the wheels of said vehicle are adapted to ride inwardly of said upwardly extending rails defining said spaced apart runner portions of said guide means for said vehicle. (PX-20, pp. 24-28).

14. The Seidman reference relates to flexible toy track structures for toy vehicles. The track lies on a support and has a pliant core that enables it to assume various shapes. A toy vehicle is guided on the Seidman track by

means of the gravity centering of the wheels as opposed to wheel engagement when rails are used to guide the vehicle. (PX-20; Lemelson Tr. 97-103, 207-74, 284; Gottschalk Tr. 396).

15. A "Hot Wheels" type vehicle will slide on its side when placed on the Seidman track because of the guidance principle employed by Seidman. When the Seidman track is shaped to simulate a hill the pliant core in the track causes a "Hot Wheels" type vehicle to jump the track approximately 80 to 90 percent of the time. (Lemelson Tr. 137-39 and demonstration; Lemelson Tr. 132).

16. The Stair reference relates to a marble trackway. The track is composed of rubber or rubber composition extruded to form a base and a pair of upwardly projecting, diverging flangs, creating a groove which the ball traverses. Stair discloses that a wire stiffener holds an inclined track rigid and straight. The Stair patent discloses further that the ends of track sections C and D are detachable and connectable by wire rods and "being flexible, may be laid in any shape or course on the floor or ground, over small blocks or the like in simulation of overpasses, and the end of the track opposite the inclined end, may terminate above base 10." The Stair patent discloses the use of a V-shaped groove in the track. (PX-20, p. 177, col. 2, lines 20-33, 37-42; Lemelson Tr. 108).

17. The Stair patent does not disclose the use of a toy vehicle, a toy vehicle on a trackway, or a guidance mechanism or principle for a toy vehicle on a trackway. The stiffening materials used in the Stair patent are not members of the group having pliable characteristics. (Lemelson Tr. 108, 109).

18. The subject matter of the Ekstrom reference is a self-propelled toy vehicle and a trackway. The vehicle is guided by a centrally located guide slot which guides the guide wheel of the vehicle. (PX-20, pp. 179-82).

19. The Smallwood publication discloses a flexible fabric track for electrically driven toy vehicles. (PX-20, pp. 183-86).

20. The Gardiol reference discloses a toy combination having a flat central portion on which a toy vehicle rides between parallel, upwardly extending walls. The trackway is composed of plastic material capable of undergoing a three-dimensional deformation (PX-20, pp. 187-88).

21. The field of art for plaintiff's claimed invention is trackways for wheeled toy vehicles; i.e., the trackway toy vehicle art.

22. The Patent Office classification for the trackway toy vehicle art is class 238, subclass 10. The Patent Office classification for the marble raceway are, which is disclosed in the Star patent, is class 46, subclass 43. (PX-8C; Earls, Tr. 26).

23. The definition of patents in class 46, subclass 43 is "devices . . . including runways for balls, marbles, or similar articles. Such devices usually have means for regulating and controlling the flow of such articles." (PX-8D).

24. Classification definitions are based upon particular properties and not accidents. The definitions of class 238, subclass 10 and class 46, subclass 43 are not cross referenced. (PX-8C, p. 20-21; PX-8D).

25. A person of ordinary skill in the trackway toy vehicle art would not look to the marble raceway art disclosed in the Stair patent for guidance in vehicle track design. The Stair reference is selected from the non-analogous art of marble raceways. The material difference between the Seidman reference and claims 3, 6-9, and 12-18 of plaintiff's Reissue Application is that plaintiff's claimed invention discloses a highly flexible trackway incapable of self-support whereas the Seidman patent

discloses the use of a pliant core member to achieve the shape of the track. (PX-20, pp. 162-68).

26. No flexible tracks incapable of self-support for wheeled toy vehicles were in or taught by the prior art before May 5, 1967, and the Lemelson 161 patent is entitled to a filing date no earlier than May 4, 1967. (Gottschalk Tr. 422; J.S. 1).

27. The material difference between plaintiff's claimed invention and the Gardiol and Ekstrom references is that plaintiff does not include the use of stiffeners whereas the Gardiol and Ekstrom references disclose the use of stiffeners in the track. (PX-5A, PX-6).

28. The Smallwood reference discloses a pliant track but does not teach incapability of self-support. (PX-6).

29. The commercial success of the apparatus covered by claims 3, 6-9, and 10-18 is evidenced by the great commercial success of the Mattel, Inc., Hot Wheels flexible track, U.S. Patent No. 3,487,999, which is covered by the claims in plaintiff's Reissue Application. For the years 1968 to 1972 and 1974 to 1979, the total sales of items including the Mattel Hot Wheels track was at least $77,996,756.20. (Gottschalk Tr. 406; PX 2, 2B, 2A, 3, and 3A; Lemelson Tr. 52-96; Newman Tr. 575; PX 7, 7A, 7B; Booriak 505). The commercial success of the Mattel Hot Wheels track was achieved largely by the proven "play value" to children of the flexible track-toy vehicle combination covered by plaintiff's Reissue Application; i.e., the more track used, the greater the play value. (PX-7, R/N-20 to 71).

30. Plaintiff's invention covered by Patent No. 3,451,161 has made a substantial advance to the art.

CONCLUSIONS OF LAW

1. This is an action under 35 U.S.C. § 145. The Court has jurisdiction over the subject matter and the parties and venue are proper.

2. Plaintiff, as patentee of Patent No. 3,451,161, filed an application to reissue that patent in accordance with the Patent Laws, 35 U.S.C. § 251.

3. The Commissioner of Patents disallowed plaintiff's claims 1-3, 6-9, and 10-19 of the Reissue Application. The purpose of this action is to determine whether the Commissioner erred in refusing to grant a Reissue Patent.

4. The presumption of correctness which attaches to the decision of the Commissioner is a rebuttable presumption that may be overcome by the introduction of evidence, at a trial under 35 U.S.C. § 145, which is of such character and amount as to carry a thorough conviction of error. Gusmer v. Parker, 206 USPQ 991 (D.D.C. 1980).

5. A trial under 35 U.S.C. § 145 is a trial de novo, and plaintiff and defendant may present evidence on any issue properly before the Court. De Seversky v. Brenner, Commissioner of Patents, 424 F.2d 857 (D.C. Cir. 1970); New Wrinkle v. Coe, 31 F. Supp. 415 (D.D.C. 1940). This additional evidence may include testimony of expert witnesses, an inventor skilled in the art, and evidence of commercial success. See Scandiamant Aktiebolag v. Commissioner of Patents, 509 F.2d 463 (D.C. Cir. 1974); Charvat v. Commissioner of Patents, 503 F.2d 138 (D.C. Cir. 1974).

6. Evidence introduced by plaintiff at trial but not considered by the Commissioner of Patents is of such character and amount as to carry a thorough conviction of error in the decision of the Commissioner rejecting plaintiff's application for reissue. This evidence included (a) testimony of Robert Gottschalk who is qualified as an expert witness; (b) the testimony of plaintiff Lemelson, who is both skilled in the art and the inventor, regarding the coverage of the Mattel, Inc., Hot Wheels track by claims 3 and 6 to 18 of the Reissue Application; (c) documentary evidence and testimony from the Patent

Office showing the non-analogous nature of the Stair reference; (d) documentary evidence and testimony of witnesses from Mattel, Inc.; and (e) evidence that at least $77,996,756.20 of track products covered by the Reissue Application were sold by Mattel, Inc.

7. The issue of obviousness or nonobviousness is a question of law and the United States Supreme Court in Graham v. John Deere Co., 383 U.S. 1 (1966) set forth the guidelines for making this determination under 35 U.S.C. § 103; viz., to determine the scope and content of the prior art, to ascertain the differences between the prior art and the claims in issue, to resolve the level of ordinary skill in the art, and against these factors, to determine the obviousness or nonobviousness of the subject matter involved. In deciding the question of obviousness, the Court has considered the claimed invention as a whole. Stratoflex, Inc. v. Aeroquip Corp., 218 USPQ 871 (Fed. Cir. 1983).

8. A person of ordinary skill in the art has knowledge of the prior art. Dann v. Johnston, 425 U.S. 219 (1976).

9. The Court concludes as a matter of law that it would not be obvious under 35 U.S.C. § 103 to modify the trackway disclosed in the Seidman patent to include the claimed concept of a track incapable of self-support when also considering the Stair, Ekstrom, Smallwood, Gardiol, and Lemelson 845 references. In making this determination, the Court recognizes the non-analogous nature of the Stair reference; the lack of teaching or suggestion in the prior art of the useful advantage of a flexible track incapable of self-support; and the commercial success of the highly flexible Hot Wheels trackway toy vehicle combination covered by plaintiff's Reissue Application.

10. In support of the conclusion that claims 3, 6-9, and 12-18 are non-obvious under 35 U.S.C. § 103, the Court relies upon the fact that neither Seidman, Ekstrom, Smallwood, nor Gardiol include a suggestion to make a

flexible track incapable of self-support or the advantage in their combination.

11. The fact that the claimed invention seems simple and when viewed in hindsight appears to be obvious is not enough to negate invention. Goodyear Tire and Rubber Co. v. Ray-O-Vac Co., 321 U.S. 275 (1944); Gusmer v. Parker, 206 USPQ 991, 997 (D.D.C. 1980). Simplicity by itself does not negative patentability. Gusmer, 206 USPQ at 997.

12. The non-obviousness of plaintiff's invention is evidenced further by the great commercial success of Mattel's Hot Wheels track toy vehicle combination covered by claims 3, and 6 to 18 of the Reissue Application. Saf-Gard Products, Inc. v. Service Parts, Inc., 532 F.2d 1266, 1273 (9th Cir. 1976). The fact that the Hot Wheels flexible track, U.S. Patent No. 3,487,999, is the one item which has been continuously manufactured and commercially sold by Mattel at a significant profit for the past 15 years demonstrates that the commercial success of the track covered by the claims in plaintiff's Reissue Application was due substantially to its own merits and play value.

13. Claims 3, 6-9, and 10-18 are not rendered obvious under 35 U.S.C. § 103 by the prior art of record.

14. All of Claims 3, 6-9, and 10-18 are therefore patentable under 35 U.S.C. § 103 and plaintiff is entitled to a reissue patent containing these claims.

An Order consistent with this Memorandum Opinion will be entered on this date.

ORDER

Upon consideration at the trial of this matter, the Court having made findings of fact and conclusions of law, and consistent with the Memorandum Opinion filed on this date, it is the 26th day of March, 1985,

ORDERED that judgment be, and hereby is, entered in favor of plaintiff, Jerome H. Lemelson; and it is further

ORDERED that plaintiff be issued a reissue patent containing plaintiff's Claims 3, 6-9, and 10-18.

SO ORDERED.